

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
STEEL RACKS FROM CHINA) 701-TA-608 AND 731-TA-1420 (FINAL)

Pages: 1 - 223
Place: Washington, D.C.
Date: Tuesday, July 16, 2019



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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
STEEL RACKS FROM CHINA) 701-TA-608 and 731-TA-1420 (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, July 16, 2019

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7 Commissioner Rhonda K. Schmidlein

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Tyrell Burch, Management Analyst

16 Sharon Bellamy, Records Management Specialist

17

18

19 Stamen Borisson, Investigator

20 Karl Tsuji, International Trade Analyst

21 Cindy Cohen, International Economist

22 Karen Driscoll, Attorney/Advsiior

23 Elizabeth Haines, Supervisory Investigator

24

25

1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (Christopher T. Cloutier, Schagrin Associates)

4 Respondent (Gregory S. Menegaz, DeKieffer & Horgan, PLLC)

5

6 In Support of the Imposition of Antidumping and

7 Countervailing Duty Orders:

8 Schagrin Associates

9 Washington, DC

10 on behalf of

11 Coalition of Fair Rack Imports

12 Jay Anderson, President, Steel King Industries, Inc.

13 Dave S. Olson, National Sales & Marketing Manager,

14 Ridg-U-Rak, Inc.

15 Paul Neal, Vice President of Sales, UNARCO Material

16 Handling, Inc.

17 Eric Quist, Executive Vice President, Speedrack

18 Products Group LTD.

19 Ryan Young, President, Wireway Husky Corp.

20 Elizabeth J. Drake and Christopher T. Cloutier - Of

21 Counsel

22

23

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25

1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping and

3 Countervailing Duty Orders:

4 DeKieffer & Horgan, PLLC

5 Washington, DC

6 on behalf of

7 United Materials Handling, Inc. ("UMH")

8 Ryan Bartlett, President, United Materials Handling,

9 Inc.

10 Bruce Malashevich, Economic Consulting Services, LLC

11 Susannah Perkins, Economic Consulting Services, LLC

12 Gregory S. Menegaz - Of Counsel

13

14 Rebuttal/Closing Remarks:

15 Petitioner (Elizabeth J. Drake, Schagrin Associates)

16 Respondent (Gregory S. Menegaz, DeKieffer & Horgan, PLLC)

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1 PROCEEDINGS 9:31 a.m.

2 MR. BISHOP: Will the room please come to order?

3 CHAIRMAN JOHANSON: Good morning. On behalf of
4 the U.S. International Trade Commission I welcome you to
5 this hearing on the final phase of Investigation Nos.
6 701-TA-608 and 731-TA-1420 involving steel racks from China.

7 The purpose of these final investigations is to
8 determine whether an industry of the United States is
9 materially injured or threatened with material injury or the
10 establishment of an industry in the United States is
11 materially retarded by reason of imports of steel racks from
12 China.

13 Schedule setting forth the presentation of this
14 hearing, notices of investigation and transcript order forms
15 are available at the public distribution table. All
16 prepared testimony should be given to the Secretary. Please
17 do not place testimony directly on the public distribution
18 table.

19 All witnesses must be sworn in by the Secretary
20 before presenting testimony. I understand that parties are
21 aware of the time allocations. Any questions regarding the
22 time allocations should be given directly to the Secretary.
23 Speakers are reminded not to refer in their remarks or
24 answers to questions to business proprietary information.

25 Please speak clearly into the microphones and

1 state your name for the record for the benefit of the court
2 reporter. If you will be submitting documents that contain
3 any information you wish classified as business confidential
4 your request should comply with Commission Rule 201.6.

5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: Mr. Chairman, I would note that all
7 witnesses for today's hearing have been sworn in. There are
8 no other preliminary matters.

9 CHAIRMAN JOHANSON: Very well. Let us begin with
10 opening remarks.

11 MR. BISHOP: Opening remarks on behalf of
12 Petitioner will be given by Christopher T. Cloutier of
13 Chagrin Associates. Mr. Cloutier, you have five minutes.

14 STATEMENT OF CHRISTOPHER T. CLOUTIER

15 MR. CLOUTIER: Good morning, Chairman Johanson
16 and Members of the Commission, I'm Chris Cloutier of Chagrin
17 Associates here today on behalf of the Coalition for Fair
18 Rack Imports.

19 Chinese and Domestic Steel Racks are highly
20 interchangeable and compete largely on the basis of price.
21 Demand for steel racks increased over the Period of
22 Investigation, growing together with the economy generally
23 and also E-Commerce specifically, especially in 2018.

24 Increasing volumes of imported steel racks from
25 China however robbed the Domestic Industry of the

1 opportunity to prosper during this period, using dumping and
2 subsidies to undersell the Domestic Industry and rapidly
3 gain market share. Unfortunately, the low level
4 of participation by Chinese interests in the final phase of
5 this investigation resulted in only a limited number of
6 companies submitting data to the Commission so we can't talk
7 about actual numbers here today.

8 It is clear from the confidential version of the
9 staff report however that Chinese Imports grabbed increasing
10 shares of the U.S. Market from 2016 to 2018. The rapid
11 increase is of course even more impressive in light of the
12 tonnages reported by Chinese interests to the Commerce
13 Department. Rising volumes of low-priced imports resulted
14 in lost sales and lost revenues for the Domestic Industry
15 and also prevented it from fully passing through rising raw
16 material costs.

17 As reflected in the responses to the
18 questionnaires, 16 out of 20 purchasers reported that
19 Subject Imports were priced lower than the domestic like
20 product. In addition, 14 purchasers reported buying Chinese
21 instead of Domestic Racks, 13 of those reported that the
22 Chinese product was priced lower and 12 reported the lower
23 prices as the reason they bought the Chinese Racks.

24 These responses highlight that the pricing data
25 compiled in the Staff report do not comport with the overall

1 picture in the U.S. Market and we have in our brief
2 addressed certain aberrations that we believe skew the data.
3 The increase in demand for steel racks over the Period of
4 Investigation occurred at the same time raw material costs
5 were increasing for the Domestic Industry.

6 In most circumstances with eager customers such
7 increased costs could be expected to be passed on. Here,
8 however, low-priced imports from China were entering the
9 U.S. at ever increasing volumes. These imports prevented
10 the Domestic Industry from raising prices to a level equal
11 to the increase in raw material costs.

12 Thus, while the Domestic Industry's unit sales
13 revenue for U.S. shipments increased by about 6 percent from
14 2016 to 2018, its unit cogs increased by a much more rapid
15 20 percent. Increased volumes of steel racks from China
16 suppress prices and the Domestic Industry's ratio of cogs to
17 revenue began to rise in 2017 and has not stopped.

18 As reflected in the Staff Report, the Domestic
19 Industry's operating income dropped by 72 percent from 2016
20 to 2018 and kept falling in the interim. Net income dropped
21 even further. The Domestic Industry is clearly injured and
22 it is just as clear that the sharp increase in imports of
23 low-priced racks from China is a major reason why.

24 Regrettably, the boon times for steel racks
25 during the Period of Investigation are at an end. The rate

1 of growth appears to have topped out in 2018 and growth is
2 projected to slow or stop in the imminent future. This
3 means that the threat posed by Chinese Imports to the
4 Domestic Industry is even more pronounced.

5 The Commission's threat analysis should take into
6 account that the Chinese steel industry is enormous,
7 producing well in excess of that country's and even the
8 world's needs and also ignoring market signals in order to
9 maintain employment. In the face of increased
10 duties around the world on Chinese products like the
11 hot-rolled steel used to make racks, it is increasingly
12 likely that China's excess capacity will be exported as
13 downstream products like racks. Imports of Chinese racks
14 have already demonstrated that they have the ability to
15 rapidly penetrate the U.S. Market at the expense of Domestic
16 Producers.

17 Although 301 duties may provide some relief, the
18 duration of those duties is unclear and would be no
19 substitute for orders. Primary subsidy rates, for example,
20 range from about 5 to 150 percent and preliminary dumping
21 margins ranged from about 18 to 140 percent. The 301 duties
22 therefore do not even remotely provide sufficient relief to
23 address all of the dumping and subsidization.

24 In conclusion, we ask the Commission to grant
25 relief from any further injury so that the Domestic Industry

1 can resume competing on a level playing field and reap the
2 rewards of its investment and hard work. Thank you.

3 MR. BISHOP: Thank you, Mr. Cloutier. Opening
4 remarks on behalf of Respondent will be given by Gregory S.
5 Menegaz of Keiffer and Morgan. Mr. Menegaz, you have five
6 minutes.

7 STATEMENT OF GREGORY S. MENEGAZ

8 MR. MENEGAZ: Thank you and good morning
9 everybody. My name for the record is Gregory Menegaz from
10 Horigan Law Firm and I represent United Material Handling at
11 this hearing.

12 On behalf of UMH we oppose the Petitions. Our
13 client continues to maintain in this final phase as he did
14 in the preliminary staff conference, that the Chinese occupy
15 a modest minority of the U.S. Market. Instead, the market
16 is dominated by U.S. Production and imports of non-Subject
17 merchandise from Mexico by some of the largest U.S.
18 Producers who have affiliated operations there.

19 Now with respect to the coverage issue,
20 Petitioners have tried to make much of the coverage issue in
21 their prehearing brief. What their brief does not explain
22 is that the scope of these investigations at Commerce has
23 changed five times between the initiation of the case and
24 the preliminary determinations. So naturally, many
25 exporters and importers who may have been concerned at the

1 outset are no longer concerned about this case because the
2 scope issues they had at the beginning have been resolved.

3 The same would hold true for participants at the
4 ITC Preliminary Staff Conference, so you don't see any of
5 the lawyers and clients here for a reason because their
6 products are no longer in the scope of this case. With
7 respect to volume, the Petitioners case is extremely weak,
8 whereby there was a modest industry growth in the POI and
9 Chinese imports picked up a modest amount of market share,
10 we can all play games with the statistics.

11 If we had one percent share at the beginning,
12 that's a hundred percent increase, it's still a small volume
13 of share of the market. Now, with respect to price the
14 Staff Report's overselling of the significant majority of
15 Chinese volume there's no case of price depression therefore
16 and also no credible evidence of price suppression. AUVs
17 were increasing throughout the POI and the Chinese Imports
18 were overselling.

19 As for impact, whatever troubles have visited the
20 U.S. Industry in the POI they cannot be linked to the
21 Subject Imports. In our prehearing brief we performed
22 several modes of pro forma analysis that showed that even
23 attributing all of the Chinese gains in market share to the
24 Petitioners barely moved the needle on their operating
25 income. We also did analysis intended to neutralize the

1 shock of the 232 tariffs and when we did that, and that
2 affects obviously the cogs for the most important raw
3 material steel, the hot-rolled coil, that vastly improved
4 the condition of the U.S. Industry.

5 Also, when Subject Imports left the market in
6 interim 2019 data, the U.S. Industry did not see a recovery
7 even with tumbling HR coil prices globally so we think that
8 all that establishes no causal link between the Subject
9 Imports and injury to the U.S. Industry.

10 With respect to conditions of competition in
11 modern times business in general has become more and more
12 about speed of delivery, whether in goods or services.
13 Subject imports have a huge lead-time advantage, over U.S.
14 industry, as recognized by the staff and in its report. This
15 is a critical non-price factor, that has ranked very
16 important by almost all purchasers. You have to remember,
17 that purchasers here are not just waiting for a product.
18 They are waiting for their business to start, without the
19 racks, to put their goods on in the warehouse, they cannot
20 conduct business. This is not is not a normal lead time
21 issue in this case. Regardless, moreover, there are
22 significant differences in the products. And we're going to
23 go into that, in detail in the afternoon proceedings. Moving
24 on to the threat of injury, we don't believe there's a
25 threat of injury in the imminently foreseeable future. First

1 of all, there are very high 301 tariffs, that have
2 contributed to a sharp decline in Chinese imports into the
3 U.S. market. Now your data actually goes through interim
4 2019, covers the tariffs, when they were at a ten percent
5 level. They moved to twenty five percent in May. And that is
6 really an enormous difference, when people might have to
7 bare some short term pain, on the ten percent, the twenty
8 five percent, is even more a substantial barrier, to further
9 participation by the Chinese in this market. We will be
10 presenting economic arguments, on material injury and threat
11 in our afternoon session, with the help of our colleagues
12 from ECS, Bruce Malashevich and Susannah Perkins. And we
13 will have our witness from UMH, Ryan Bartlett, who will be
14 able to speak to the conditions of competition, and to the
15 products at issue in this investigation. With that I
16 conclude my opening remarks. Thank you.

17 MR. BISHOP: Thank you, Mr. Menegaz. Would the
18 Panel in support of the imposition of the Antidumping and
19 countervailing duty orders please come forward and be
20 seated. Mr. Chairman, this Panel has 60 minutes for their
21 direct testimony.

22 MS. DRAKE: Good morning, Chairman Johanson and
23 Members of the Commission. My name is Elizabeth Drake of
24 Chagrín Associates here on behalf of the Petitioner, the
25 Coalition for Fair Rack Imports. We'd like to begin with

1 testimony from our witnesses today and then we will have a
2 short PowerPoint presentation.

3 I'd like to begin with Jay Anderson, the
4 President of Steel King Industries, Inc.

5 STATEMENT OF JAY ANDERSON

6 MR. ANDERSON: Jay Anderson, Steel King
7 Industries. Good morning, Chairman Johanson and members of
8 the Commission. My name is Jay Anderson and I'm the
9 President of Steel King Industries.

10 My father cofounded Steel King in 1970. I've
11 been with the company for 35 years, the past 18 as
12 President. Steel racks have been an important part of Steel
13 King's business since its founding. Today, we make steel
14 racks and accessories at three plants in the United States,
15 in Stevens Point, Wisconsin, New London, Wisconsin and in
16 Rome Georgia.

17 We make both roll form and structural racks. Our
18 input material for roll form rack is slit steel coils which
19 we roll form into upright frame columns, beams and upright
20 frame braces. While our input material for structural racks
21 are structural shapes such as channels and angles, the
22 production process is otherwise similar for both.

23 Upright frame columns are punched, members are
24 cut to length and upright frames are welded together. All
25 the components are painted on our paint lines. When the

1 racks are installed the beams and the uprights are securely
2 connected together with bolts, rivets and other connectors.
3 This process gives all steel racks similar essential
4 characteristics; strength, stability and the ability to
5 provide access to stored loads.

6 Many of you will be familiar with steel racks are
7 used in big box stores like Lowes and Home Depot. Steel
8 racks are also used for storage in manufacturing facilities,
9 warehouses, and fulfillment and distribution centers.
10 Chinese steel racks are highly interchangeable with
11 domestically produced steel racks.

12 The majority of the market is racks that are made
13 to standard industry dimensions and locking configurations
14 and both domestic and Chinese Producers make the full range
15 of different types of racks. Some Chinese Producers are
16 members of the same industry trade association that we are
17 and they advertise the ability to produce all the same types
18 of racks that we produce.

19 In addition, the armark developed by the Rack
20 Manufacturers Institute which most people refer to as RMI
21 signals to buyers that rack has been designed to RMI
22 standards. The armark is available to any producer that
23 meets the requirements, whether the producer is domestic or
24 foreign and regardless of RMI membership. Thus, Chinese and
25 domestic racks of the same materials and configurations and

1 meeting the same standards compete largely on the basis of
2 price.

3 The growth in E-Commerce over the past few years
4 has driven a large increase in demand for steel racks as
5 retailers like Amazon need ever increasing amounts of
6 warehouse space to store the goods they sell and make them
7 available for quick packaging and delivery to customers all
8 around the country.

9 Our company has been proactive in trying to make
10 the most of this boom in demand. We made our largest ever
11 capital investment in 2016 which involved of major factory
12 expansion and production equipment purchase. At the time we
13 justified this investment on the basis that would allow us
14 to run at higher production levels and an increase in our
15 revenue.

16 The increase in imports of low-priced steel racks
17 from China prevented us from reaping the returns we
18 anticipated from this investment. Our production has been
19 much lower than we projected, even though demand continued
20 to grow. Now that market demand is projected to slow we may
21 never realize the benefits of this investment if remedial
22 duties are not imposed and the imports of steel racks from
23 China once again flood into our market.

24 Since 2016, we've heard about the increased
25 availability of low-priced Chinese racks directly from our

1 distributors on a regular basis. Almost every distributor
2 handles more than one manufacturer, even those who don't
3 sell Chinese product are competing against the distributors
4 that do. Our distributors told us that
5 Chinese rack was priced 20 to 25 percent below domestic
6 product. That price differential is simply impossible for
7 us to overcome. Steel is about two-thirds of the cost of
8 manufacture and we are highly dependent on trends in the
9 steel market. The Chinese prices we heard from our
10 distributors during this period were close to our cost of
11 production and not much higher than the cost of steel
12 itself.

13 Because we simply cannot meet the Chinese price
14 and still make a return we have seen our volumes sold
15 through distributors lag behind the rise in demand. In
16 addition to what we hear from distributors about these low
17 prices I have been directly contacted by Chinese rack
18 companies almost every month since 2016. The prices they
19 offered were sometimes almost a 3rd less than our prices for
20 comparable products.

21 Since preliminary relief was imposed in December
22 and March, we have seen some importers of Chinese racks exit
23 the market. They were dumping at such significant margins
24 and benefitting from such large subsidies that they cannot
25 compete when duties offset these unfair trade practices.

1 The preliminary relief has helped us to increase our sales
2 to distributors in 2019.

3 If orders are not imposed however we remain
4 highly vulnerable to renewed injury from Chinese rack
5 imports, even with the improvement this year we still need
6 time to optimize the return on a large investment that we
7 made in 2016 and despite a decline in imports, artificially
8 low-priced Chinese racks continue to distort the market.

9 Even after the imposition of preliminary relief I
10 still receive direct offers from Chinese manufacturers at
11 very low prices. There have been a few recent offers from
12 Chinese firms that are still barely above the domestic steel
13 cost and well below prices for domestic product. Enduring
14 relief is absolutely necessary to stem this aggressive and
15 widespread price undercutting.

16 Finally, our market forecast is for decreased
17 growth in demand for steel racks this year and an outright
18 contraction in 2020. The peak has passed and we missed out
19 on the opportunity to maximize the benefits of rising demand
20 due to the surge in Chinese Imports. Now is the time to
21 finalize these duties before a renewed flood of imports
22 harms us even more as the economy weakens.

23 I'm deeply concerned about our industry's future
24 if the surge in low-priced Chinese racks is not stemmed.
25 Investments we have made are in jeopardy if they cannot earn

1 a reasonable return. The company my father helped found has
2 survived for almost 50 years. With more than 500 employees
3 there are thousands of people whose livelihoods depend upon
4 our company.

5 It is on behalf of these workers and their
6 families that I urge the Commission to make an affirmative
7 determination. Thank you.

8 MS. DRAKE: Thank you, Mr. Anderson. Our next
9 witness is Dave S. Olson, National Sales and Marketing
10 Manager for Ridg-U-Rak, Inc.

11 STATEMENT OF DAVE S. OLSON

12 MR. OLSON: Good morning Chairman Johanson and
13 Members of the Commission. My name is Dave Olson. I am the
14 National Sales and Marketing Manager for Ridg-U-Rak. Our
15 company is located in Northeast Pennsylvania where it
16 employs about 320 people. I've been in the rack industry
17 for 27 years and I've been with Ridg-U-Rak the last twelve
18 and a half.

19 Ridg-U-Rak is one of the oldest rack
20 manufacturers in the United States. They've been in
21 business continuously for 77 years. We produce mostly
22 roll-form rack but also some structural rack. One of the
23 primary product lines of low-form pallet rack is called
24 "teardrop" because of the teardrop shaped poles along the
25 vertical upright columns into which the horizontal shelf

1 beams are connected.

2 Most U.S. rack manufacturers make a version of
3 teardrop racks. These common parts in the U.S. are
4 sometimes referred to as interchange rack or an
5 interchangeable system. Because parts from different
6 manufacturers are made so that they can be used together in
7 a single system.

8 Chinese Producers have closely duplicated the
9 teardrop style racks that are often used with domestic
10 components to complete a rack system configuration. While
11 we discourage mixing rack components from different
12 manufacturers, the practice became more commonplace during
13 the Period of Investigation. This made our market highly
14 susceptible to low-priced Chinese racks that can be used in
15 the same systems where our products are used.

16 Ridg-U-Rak is a national sales company and we
17 serve every corner of the country. Our racks are sold
18 primarily through two types of channels, most of our
19 industrial sales are through distributors and material
20 handling system integration companies. These distributors
21 and integrators sell the racks to the ultimate end users and
22 may install the racks for them as well.

23 The other portion of our sales are made direct to
24 national accounts of retailers and logistics companies. The
25 retailers may use our product on the sales floor of big box

1 stores like Lowes or Costco or in the back room of the store
2 or in their distribution warehouses.

3 Distributors often sell racks from a number of
4 manufacturers. Stocking distributors will carry
5 common-sized products in their warehouses to sell on a quick
6 ship basis. They also often place drop/ship custom designed
7 rack orders for specific projects. When they have a
8 specific project to bid we provide a quote with our prices
9 to them and they in turn provide a quote to their client.

10 Our competitors often quote the same projects
11 either directly or through other distributors. Because many
12 rack components are interchangeable prices play a very
13 important role in the bids of our distributors to choose
14 quote to their customers. Those distributors who have
15 stayed with our product even though it is higher priced have
16 lost substantial business as a result. When they lose
17 business, we lose business.

18 Our national retail accounts are typically set up
19 on a contract basis. Larger retail accounts will typically
20 contract with more than one rack manufacturer so our prices
21 have to be competitive in order to win and renew these
22 contracts, even if we do win a contract, a retailer will
23 typically give us just a share of the new projects for the
24 upcoming year.

25 The success of our business is highly dependent

1 on our ability to pass along the cost of steel, which is by
2 far our primary input cost. For our roll form product which
3 is the majority of our production, we buy master coils
4 direct. At any point in time we will have about three
5 months' supply of steel in the pipeline.

6 The coils may be in our warehouse, they may be
7 slit at a processor or on order. Steel typically accounts
8 for about 65 percent of our product cost. Our dependence on
9 trends in the steel market make us highly vulnerable to
10 competition from low-priced Chinese Imports. While we do
11 have steel indexing mechanisms in our contracts with most
12 direct customers the large majority of our businesses with
13 distributors where there are no such contracts or indexing
14 mechanisms that are in place.

15 Because of the need to compete with aggressively
16 priced Chinese Imports, there is no way we can pass along
17 our increase in steel cost dollar for dollar, even though
18 the demand for steel racks is increasing. This growing
19 cost, the price squeeze has a direct, negative impact on our
20 business. Preliminary antidumping and countervailing duties
21 reduce Chinese Imports and directly benefitted our business.

22 Our overall business, including our volumes with
23 our stocking distributors are up significantly so far in
24 2019 but these gains are at risk. If relief is not imposed
25 Chinese Imports will once again flood into our market.

1 The Chinese steel industry continues to have
2 massive overcapacity and receive large government subsidies.
3 They will have every incentive to continue shifting
4 production and exports into the downstream steel products in
5 order to continue offloading their excess production in our
6 market.

7 Without orders, rising volumes of dumped and
8 subsidized imports will eat further into our market share,
9 our sales revenue and our profits. This will come at the
10 worst possible time as demand growth is projected to slow in
11 the second half of 2019 and contract in 2020. Chinese
12 Imports have already denied us the opportunity to fully
13 participate in the market growth that has occurred over the
14 past few years.

15 To avoid further harm to our industry we ask the
16 Commission to make an affirmative determination. Thank you.

17 MS. DRAKE: Thank you, Mr. Olson. Our next
18 witness is Paul Neal, Vice President of Sales for UNARCO
19 Material Handling, Inc.

20 STATEMENT OF PAUL NEAL

21 MR. NEAL: Good morning, Chairman Johanson, and
22 members of the Commission. For the record, my name is Paul
23 Neal. I am the Vice President of Sales for UNARCO Material
24 Handling, Inc. I have been with UNARCO for more than 15
25 years, and the company has manufactured roll-formed and

1 structural racking for over 60 years.

2 UNARCO is headquartered in Springfield,
3 Tennessee, where our largest manufacturing facility is
4 located. We also have manufacturing plants in Lewisville,
5 Texas, and Pandora, Ohio.

6 UNARCO employs more than 600 people in the United
7 States. UNARCO produces a wide range of steel racks,
8 including carton flow, pallet flow, pushback rack, drive-in
9 rack, pick modules, and cantilever rack. Regardless of
10 whether the rack is roll-formed or structural, and
11 regardless of whether it is relatively simple static
12 selective rack or a more complex dynamic system, all rack is
13 made from the same basic materials and serves the same
14 function.

15 All steel racks are primarily made from steel,
16 and they all include vertical and horizontal members that
17 connect securely to provide strong, stable, and accessible
18 storage for industrial and commercial applications.

19 We sell our product nationwide, serving orders
20 from a few dollars to over \$10 million. We sell our product
21 directly to customers such as retail chains, and we also
22 sell through dealers that distribute the product to the
23 ultimate end user.

24 Distributors in the material-handling industry
25 routinely offer product from more than one manufacturer, and

1 many distributors will offer both domestic and Chinese
2 racks. Their end-users typically will want three bids from
3 a single distributor for any one project that they can
4 compare prices and products--compare products and pricing.

5 The design usually is already set, and the bids
6 are based on meeting specs and on a price. Since most
7 manufacturers can meet standard specifications, price is by
8 far the biggest determinant in whether you can win the bid.

9 During the Period of Investigation, distributors
10 who did not offer Chinese product often were out-bid by
11 competing distributors who did. This pushed more and more
12 distributors to offer Chinese options to their customers
13 because of the lower prices. The domestic industry lost
14 sales and market share as a result.

15 Imports from China rapidly changed the U.S.
16 market for steel racks from 2016 to 2018. Importers used
17 very low pricing to gain market share at the expense of
18 domestic producers. While we at UNARCO tried to use
19 engineering and service as key selling points for our
20 customers, dealers and integrators who handle imported rack
21 also provide their own engineering and services to their end
22 user.

23 As a result, these dealers can compete with us
24 head-to-head for sales largely on the basis of price. We
25 lost significant sales volumes as the result. For example,

1 one of our key dealer customers buys rack from us as well as
2 China. He told us that Chinese prices were so low that he
3 could still make a margin of 20 to 25 percent on the Chinese
4 product.

5 When prices are that low, there is no way for us
6 to match them and still make a reasonable return. There is
7 simply no room for us to lower prices that much and stay
8 profitable, particularly if raw material costs are on the
9 rise as they were during the Period of Investigation.

10 Since preliminary relief was imposed, we have
11 seen importers of Chinese rack exit the market and
12 experienced a noticeable pickup in our own business. A
13 number of dealers that handled Chinese rack have come back
14 to us now that they can no longer take advantage of the
15 dumped and subsidized Chinese prices without paying remedial
16 duties.

17 For these benefits to endure, it is essential
18 that orders be imposed. For all these reasons, we ask the
19 Commission to make an affirmative determination. Thank you.

20 MR. DRAKE: Thank you, Mr. Neal. Our next
21 witness is Eric Quist, Executive Vice President of Speedrack
22 Products Groups--excuse me, Products Group, Limited.

23 STATEMENT OF ERIC QUIST

24 MR. QUIST: Good morning, Chairman Johanson and
25 members of the Commission. My name is Eric Quist. I am the

1 Executive Vice President of Speedrack Products Group.
2 Speedrack is headquartered in Sparta, Michigan, and we
3 produce steel racks at two facilities, one in Quincy,
4 Michigan, and one in Litchfield, Michigan.

5 We employ more than 200 workers producing steel
6 racks. Speedrack has been in the storage products industry
7 for over 50 years. I have been with the company for over 16
8 years.

9 The vast majority of what Speedrack produces are
10 the industry standard teardrop pallet racks. These are
11 roll-form racks made from slit coil. The standard
12 configuration of this type of rack allows components from
13 different manufacturers to fit together in a single system.

14 A standard beam from China would easily fit into
15 one of our standard uprights. They are basically
16 interchangeable. In 2016, Speedrack saw that demand for
17 steel racks was projected to grow, both because of the
18 growing economy and also as E-commerce companies were
19 building additional warehouses and distribution centers.

20 We started the process to open a second facility
21 in Litchfield, Michigan, with a state-of-the-art welding and
22 paint line. The plan was to create additional finishing
23 capacity in Litchfield to allow the roll-formers in Quincy
24 to increase production, resulting in increased sales for the
25 company overall. The new facility opened in Litchfield in

1 the spring of 2017.

2 The rapid increase in low-priced steel racks from
3 China prevented us from realizing the benefits of this
4 investment. Our capacity increased and there was growing
5 demand available to serve, but it was imports from China
6 that took the demand instead of us. As a result, our
7 production and shipments declined instead of improving.

8 Additional plans we had discussed to add a
9 roll-former or buy a plant outside of Michigan had to be
10 scheduled--I'm sorry--shelved due to the adverse market
11 conditions caused by imports from China.

12 Chinese imports didn't just take away volume,
13 they also hurt our pricing. I review all of the quotes that
14 come through our business and provide final approval. A
15 couple of years ago I started to see a lot more requests
16 from customers for upright-only orders. We could only
17 conclude that they were starting to buy the beams from China
18 instead of us.

19 The Chinese prices were so low that it wasn't
20 even worth their time to ask us for a quote on the beams.
21 It is important to understand that beams are the
22 high-volume, low-labor component of racks. And any rack
23 business needs to have sufficient beam volume in order to
24 viably--to be viably financially.

25 Other customers would quote the import prices to

1 us in an effort to get us to lower our own prices, but some
2 of the Chinese prices they were quoting us for finished
3 product were even lower than what we could buy steel coil
4 for. There is simply no way for us to match such low prices
5 and continue to stay in business.

6 Chinese imports have already forced us to lose
7 shipments and cut production, even as demand was increasing.
8 Chinese imports have already lowered the return on
9 investment we made in our new Litchfield facility in 2017.
10 These imports have also forced us to cancel and delay other
11 planned investments in the company.

12 While we have seen some improvements since
13 preliminary duties were imposed, we need more enduring
14 relief from Chinese imports in order to compete. Speedrack
15 provides hundreds of good-paying jobs to our employees. Our
16 unionized workers make good, family-supporting wages, have
17 full health-care benefits, and a 401K.

18 With the labor market as tight as it is right
19 now, we have had to raise wages significantly in order to
20 attract and retain skilled labor. Our competitors in China
21 not only benefit from government subsidies and dump their
22 product below market prices, but they are also able to take
23 advantage of non-market economy prices for inputs like
24 labor, land, and energy.

25 There is simply no way for us to keep generating

1 the hundreds of family-sustaining jobs in the United States
2 if we are forced to endure these unfair trade practices.

3 For all of these reasons, we ask that the
4 Commission make an affirmative determination to give our
5 company and our workers a chance to compete. Thank you.

6 MS. DRAKE: Thank you, Mr. Quist. Our last
7 witness is Ryan Young, President of Wireway Husky Corp.

8 STATEMENT OF RYAN YOUNG

9 MR. YOUNG: Good morning, Chairman Johanson and
10 members of the Commission. My name is Ryan Young, and I am
11 President of Wireway Husky Corp., doing business as Husky
12 Rack and Wire.

13 We are headquartered in Denver, North Carolina.
14 Our company was founded in Sterling, Massachusetts, back in
15 1964 by my grandfather, Reginald Young. My father, Ron
16 Young, joined the company full-time straight out of college
17 in 1970. At that time, the company had a handful of
18 employees and manufactured only woven wire partitions.

19 My father moved our immediate family down to
20 North Carolina in 1981 where he expanded the company by
21 starting another branch of the wire manufacturing business.
22 In 1985, we bought a rack company called Husky out of
23 Lithonia, Georgia.

24 After a few years, we moved the rack company into
25 our newly expanded plant in North Carolina, and have since

1 entered the deck-manufacturing business, as well. We now
2 have close to 250,000 square feet of manufacturing space in
3 Denver, and employ well over 200 people.

4 To my knowledge, we are the only company in the
5 United States that produces steel racks and wire decking, as
6 well as other wire products under the same roof. Racks now
7 make up around 75 percent of our business.

8 I joined Husky five years ago, and I've had the
9 opportunity to work in all parts of the business, from the
10 factory floor to sales. I became president three years ago,
11 and am responsible for all operational aspects of the
12 business. My father is the CEO. My sister Deborah is the
13 Vice President of Sales. And my other sister, Rebecca, is
14 Vice President and General Counsel.

15 Our company has been family owned and run for
16 three generations, and the outcome of these cases will be
17 vital to the survival of our racks business for years to
18 come. All of the racks that Husky makes are selective
19 pallet racks, and all of them roll-formed.

20 We source all our steel domestically. The racks
21 we make are the high-volume standardized part of the market,
22 and we have been severely injured by imports from China over
23 the last few years.

24 Husky sells to distributors on a spot basis, and
25 to one of our largest customers under contract. Our

1 distributors have been very vocal in telling us that we have
2 to lower our prices to compete with the imports of steel
3 racks from China. They told us that they were losing
4 business to competing distributors that sell Chinese
5 product. One of our largest distributors lost major
6 portions of its business directly due to competition from
7 Chinese imports. Ultimately we had to provide this customer
8 with an increased discount so that they could try to stem
9 the losses and compete with offers for Chinese racks.

10 Chinese imports have also put price pressure on
11 our contract business. We do not have an automatic
12 surcharge or indexing mechanism for steel prices in our
13 biggest contract. When steel prices began to increase, we
14 had to try to find a way to pass along these increases, as
15 steel is far and away our largest cost of production.

16 After months of negotiations, we were only able
17 to pass along a fraction of our increased cost to this
18 contract customer. We believe that the much lower prices of
19 Chinese racks in the market was one of the factors that
20 restrained our ability to raise prices commensurate with our
21 costs.

22 Three years ago, in 2016, we were operating at
23 full capacity and had to determine whether to build more
24 capacity to produce racks or to produce wire. Ultimately we
25 decided to reject plans to open a new rack plant and opted

1 to open a new wire production facility instead.

2 We shelved the rack expansion plans in 2017, even
3 though demand for racks was continuing to grow. With large
4 volumes of low-priced Chinese racks rapidly entering the
5 market, there is simply no way for us to justify expanding
6 our rack capacity.

7 The imposition of preliminary antidumping and
8 countervailing duties has created a path to continued
9 viability for our company. While low Chinese pricing
10 continues to distort the market, we are seeing much lower
11 volumes and some moderation in prices. Our large
12 distributor with whom we were forced to further discount our
13 prices tells us things have gotten better for them since the
14 relief went into effect. But these gains will be only
15 temporary if orders are not imposed.

16 We are still providing this important customer
17 with that discount. It's clear we can't move forward with
18 restoring prices until this case goes through and there's
19 more certainty in the market.

20 The Commission's determination will thus make all
21 the difference for this customer, our company, and the
22 domestic industry as a whole. With an affirmative
23 determination, we will have a chance to compete. Without
24 it, I'm afraid imports from China will flood back into our
25 market and use low prices to once again take market share

1 from domestic producers like Husky.

2 On behalf of my family, our company, and our
3 employees, we respectfully ask that the Commission make an
4 affirmative determination. Thank you.

5 MS. DRAKE: Thank you, Mr. Young.

6 Once again, Elizabeth Drake from Schagrin
7 Associates for the Petitioner. We would like to move ahead
8 with a brief PowerPoint presentation that reviews some of
9 the key facts of record in this case.

10 (PowerPoint presentation follows:)

11 As a preliminary matter, I would like to take a
12 minute just to thank the Commission staff for all of their
13 hard work on this case in pulling together the record. We
14 very much appreciate that work and believe that the record
15 strongly supports relief.

16 We will briefly discuss the conditions of
17 competition that typify the domestic market for steel racks,
18 look at the significant volume of subject imports, the
19 adverse price effects of those imports, the adverse impact
20 they've had on the domestic industry, and the threat of
21 further injury in the absence of relief.

22 Here is a picture of the teardrop or interchange
23 rack that a number of our witnesses mentioned. On the left
24 is an excerpt from Ridg-U-Rak's brochure showing its
25 teardrop rack. On the right is an excerpt from, a brochure

1 from Nal which is--was a large importer of racks from China.
2 As you can see, the size of the specification, even the
3 colors, are exactly the same, and one beam could lock into
4 another upright interchangeably, and that's by design for
5 them to operate in that fashion.

6 And in fact importers advertise this fact. This
7 is from Nal's website back in the preliminary phase, and it
8 advertises that its racks are tested and meet standards such
9 as ANSI and the RMI, Rack Manufacturers Institute,
10 standards. And they also state that their pallet rack
11 products are designed for easy integration with other
12 leading manufacturers. So it's rare that you had a product
13 that's so interchangeable it's in fact used in the same
14 systems and same applications.

15 This is a picture from one of our coalition
16 members' facilities who couldn't be here today, just to give
17 the Commission a sense of the scale of some of these
18 products. These blue uprights here, after coming off the
19 paint line, and then on the right is a fully assembled rack
20 system. It looks like a very large warehouse with the blue
21 uprights and the orange beams.

22 As our witnesses discussed, the major input into
23 steel rack production is steel. On the left you'll see
24 pictures of the slit hot-rolled steel coil that goes into
25 the roll-form rack, and on the right you'll see pictures of

1 the structural channels which are some of the inputs that go
2 into the structural rack. And so the fact that that makes
3 up such a large portion of the cost makes the domestic
4 industry highly dependent on the volatile steel market.

5 The Commission's Prehearing Staff Report confirms
6 that domestic and Chinese steel racks are highly
7 interchangeable, with more than 75 percent of all firms
8 reporting that they are always or frequently
9 interchangeable.

10 In addition, when purchasers were asked about the
11 comparability of domestic and Chinese steel racks across 18
12 purchasing factors, a plurality or majority reported that
13 they were comparable across 13 of those factors. On only 2
14 factors did most purchasers report the U.S. product was
15 better. Only 1 factor did most purchasers report that the
16 Chinese product was better, and that factor, not
17 surprisingly, was price. That was a full 80 percent of
18 purchasers reporting that Chinese racks are lower in price
19 than domestic. And then on the remaining 2 factors, there
20 was a mixed response with no clear majority on either side.

21 We heard this morning from counsel in opposition
22 that there is a significant difference in lead times between
23 domestic and imported steel racks, and we believe the record
24 simply does not support that contention whatsoever. As the
25 Commission heard from our witnesses this morning, they sell

1 through distributors. They have distributors all throughout
2 the country that stock their product. And so the staff
3 report says the manufacturers lead times is very different
4 from the actual market lead times from distributors of
5 domestic racks who can ship it much more quickly and just as
6 quickly as importers can ship from their warehouses. And
7 the purchasers confirmed this fact.

8 A majority, 13 out of 20, purchasers report that
9 the U.S. is either comparable to China or superior in terms
10 of availability of steel racks. And an even larger
11 majority, 14 out of 19, report that the U.S. is comparable
12 or superior in terms of delivery times.

13 So there is simply no support for the contention
14 that these differences explain the increase in Chinese steel
15 racks at the expense of the domestic industry.

16 And just to give a sense of the reach of the
17 domestic industry, this next slide, which is faded, sorry,
18 shows distribution just of the manufacturing locations of
19 the domestic manufacturers that responded to the
20 Commission's questionnaires, but again they also have
21 distributors all over the country. So an ability to ship
22 and to ship quickly and to reach markets all across the
23 United States from this large domestic industry.

24 Given the high degree of interchangeability
25 between domestic and Chinese racks, price is a very

1 important factor in the market. 22 out of 26 purchasers
2 report that price is a very important factor. Nearly 85
3 percent. And the remainder report that it's at least
4 somewhat important, and no purchaser reports that price is
5 not important.

6 Price was also the most frequently cited
7 top-three purchasing factor from purchasers, with quality
8 and availability being the second and the third most
9 frequently cited. But again, most purchasers reported that
10 domestic and Chinese racks were comparable with regard to
11 quality and availability, and price was the one factor where
12 there was a huge advantage for Chinese racks being much
13 lower priced than domestic racks.

14 So all of these conditions of competition
15 facilitated a rapid increase in low-priced Chinese steel
16 racks during the Period of Investigation.

17 Of course the Commission's volume data is
18 confidential, but just as a preliminary matter we did want
19 to emphasize that we believe the volumes that have been
20 reported are greatly under-stated due to the lack of
21 response from Chinese producers.

22 At the Commerce Department, Chinese producers--
23 there were 40 different separate rate applications submitted
24 in the antidumping investigation, and 28 different quantity
25 and value responses submitted in the countervailing duty

1 investigation. By contrast, only 6 Chinese producers have
2 submitted responses to the Commission.

3 Counsel for those in opposition this morning
4 suggested that this was because of changes to the scope from
5 the initiation of the investigation and through the prelim
6 and this final phase. There were some revisions to the
7 scope, but we don't believe that would come close to
8 explaining this very large discrepancy in response rates,
9 and we would be happy to walk through that maybe in a little
10 bit more detail looking at the individual companies that
11 actually did response to both agencies, posthearing.

12 In any event, even based on the record that the
13 Commission has, we believe it is clear that the volume of
14 subject imports is significant by any measure. The volume
15 of subject imports is significant absolutely, and increased
16 absolutely. It's significant relative to consumption and
17 production, and it increased relative to consumption and
18 production.

19 In the interim period, the record shows that the
20 volume of new imports fell sharply. And that, we believe,
21 is due to the petitions, and particularly to the preliminary
22 countervailing duty relief that was imposed in December of
23 last year, and that the Commission's record supports that,
24 and thus the Commission should give less weight to the
25 interim period data as it reflects these post-petition

1 effects.

2 We also believe that in terms of import volume in
3 the interim period, it's important for the Commission to
4 take into account that most imports are sold from inventory
5 and there were not insignificant inventories available at
6 the end of 2018 to supply additional shipments in interim
7 2019 beyond what's available just in new import data or new
8 shipment data.

9 In short, we believe that the Commission should
10 find the volume of subject imports is significant by any
11 measure.

12 Turning to price effects, subject imports have
13 also had adverse price effects. We believe that the final
14 record will show significant underselling, as well as price
15 suppression.

16 In the preliminary phase of this investigation,
17 the record showed underselling in nearly 74 percent of
18 comparisons, covering more than 90 percent of import volume.
19 As Respondent's counsel mentioned this morning, the
20 Prehearing Staff Report shows more overselling than
21 underselling, but as we've pointed out in our prehearing
22 brief we believe that's due to some aberrational data; that
23 once it is corrected, it will correctly show the full extent
24 of underselling that existed in the market.

25 As our witnesses testified, they routinely hear

1 of very, very low Chinese prices. And the rest of the
2 record supports this, as well.

3 There were some changes between the pricing
4 product descriptions in the preliminary phase and the final
5 phase, but as we explained in our prehearing brief these
6 changes do not appear to be driving the change in the
7 underselling data, and we instead think it's a difference in
8 the kinds of respondents--or the identity of the importers
9 that are reporting pricing data.

10 I would also note here that there may be some
11 level of trade issue with the pricing data, because a number
12 of the importers act as their own distributors. So their
13 first sale to an unaffiliated customer would include a
14 distributor markup. Whereas, our clients and our domestic
15 producers sales, their first sale may be to a distributor,
16 and often is to a distributor, and does not include a
17 distributor markup.

18 So we can do some work trying to quantify that,
19 if that would be helpful for the Commission, because that
20 likely understates the extent of underselling as well.

21 As I mentioned, the rest of the record supports a
22 finding of significant underselling. In terms of
23 purchasers' views on price, 16 out of 20, or 80 percent,
24 agreed that the Chinese product is priced lower than the
25 domestic product. And of the 14 purchasers that confirmed

1 that they'd switched from domestic to Chinese racks, the
2 vast majority, 13, stated that the Chinese product was
3 priced lower. And 12 of those 13 said that it was the lower
4 Chinese prices that were the primary reason for their
5 switch.

6 So we think this also supports a finding of
7 significant underselling.

8 Even if the Commission does not find significant
9 underselling, it should find adverse price effects on the
10 basis of price suppression by subject imports. This graph
11 shows unit cost of goods sold, and unit selling values for
12 U.S. shipments by the domestic industry. And it shows very
13 clearly that as unit costs increased in both years, the
14 portion that the domestic industry was able to pass on in
15 terms of final selling prices shrank quite significantly.

16 In 2016 the industry's ratio of cost of goods
17 sold to sales revenue was 80.5 percent, and by 2018 that had
18 hit 87.4 percent. And this was a period during which demand
19 was growing, so there was really no other reason why the
20 industry shouldn't have been able to pass on these
21 increasing prices to such a large extent except for the
22 growing presence of low-priced subject imports.

23 These imports also had a significant adverse
24 impact on the domestic industry during the Period of
25 Investigation. As our witnesses testified, at the beginning

1 of the period in 2016 many were optimistic about demand
2 trends going forward, and thus made a number of investments
3 in their business, either new plants or added capacity. And
4 the industry's capacity overall increased by more than 5
5 percent from 2016 to 2018.

6 And even though demand did increase, the domestic
7 industry was not able to increase its other performance
8 indicators along with that increase in demand. The domestic
9 industry's production actually dropped. It's U.S. shipments
10 were basically flat, a less than one percent increase, and
11 its employment and hours worked were also--had very low
12 increases of less than two percent during the period.

13 So all of these indicators support a finding of
14 injury in the sense that the domestic industry's performance
15 lagged far behind demand. And there was also a strong
16 negative financial trend for the domestic industry during
17 the Period of Investigation.

18 The red line on the right-hand axis is the ratio
19 of COGs to sales that, as we discussed, was increasing
20 because of price suppression due to subject imports. And
21 this had a very significant negative impact on the domestic
22 industry's operations. The blue line is return on assets,
23 which fell from over 17 percent to less than 5 percent. The
24 green line is operating income, which fell from 6.7 percent
25 of sales to just 1.7 percent. And the orange line is net

1 income, which also fell from 5.6 percent in 2016 to only 1
2 percent of sales in 2018.

3 So clearly very significant adverse financial
4 trends, particularly in a market where demand was
5 increasing, yet Chinese imports increased even more rapidly
6 and took market share from the domestic industry and
7 suppressed prices.

8 We believe all of these elements strongly support
9 a finding of present material injury, but we believe that
10 subject imports threaten even further injury if relief is
11 not imposed. Despite the low response rate from foreign
12 producers, the Commission's record shows that Chinese
13 producers' production and exports are large and growing.

14 And as a number of us have already discussed,
15 existing duties on Chinese hot-rolled steel in the U.S.
16 market incentivized downstream exports, and this includes
17 not only Section 232 duties, but an antidumping order on
18 hot-rolled steel from China with very high margins of 60 to
19 90 percent range.

20 The Section 301 duties that are currently in
21 effect will not prevent future increases in imports. First
22 of all, we don't know how long those duties will be in
23 effect. They can be eliminated at any time. And second of
24 all, the 25 percent duty rate is lower not only than most of
25 the preliminary antidumping and subsidy margins that

1 Commerce found, but also lower than the combined duty rate
2 that Chinese hot-rolled steel faces in the U.S. market. And
3 so that differential, that incentive to focus on the
4 downstream rack product, persists even with the Section 301
5 duties in place.

6 MS. DRAKE: And as our witnesses testified, the
7 growth and demand of that has been seen during the period of
8 investigation, that rate is expected to slow in 2019 and
9 demand may actually contract in 2020 based on their
10 projections. So a domestic industry that's been denied the
11 opportunity to participate fully in growing demand will be
12 even more vulnerable as demand starts to slow, given their
13 already very tenuous financial performance and the
14 investments they've made that they haven't been able to reap
15 the full rewards that they expected. For all these
16 reasons, we respectfully ask the Commission to reach an
17 affirmative determination. Thank you very much.

18 CHAIRMAN JOHANSON: Thanks to all of you for
19 appearing today on this morning's panel. We will now begin
20 Commissioner questions with Commissioner Schmidtlein.

21 COMMISSIONER SCHMIDTLEIN: Okay, thank you very
22 much, Chairman Johanson. I'd like to thank all of you for
23 being here today as well. And I wanna start with the
24 question about lead times. And I know Ms. Drake, you
25 addressed this, I think, in talking about the slides and I

1 wonder if you could revisit this.

2 On Page 8 and 9 of the respondents' brief, they
3 cite a number of purchasers who have reported that lead time
4 or delivery time was a problem for domestic suppliers. And
5 so I know that you were -- if you could just address that
6 argument more fully. And I do realize that the staff report
7 shows that purchasers, when asking to compare on different
8 factors, found the U.S. and Chinese product to be comparable
9 or superior in some cases with regard to delivery time. So,
10 if you can respond to the argument and address the
11 discrepancy there between what's being reported and what we
12 have in the survey.

13 MS. DRAKE: Thank you, Commissioner Schmidtlein.
14 Yes, we were discussing this yesterday, and I think while
15 it's certainly true that there will be isolated examples
16 where all of the components of a rack system are not
17 delivered on the schedule that was agreed to, the industry
18 works very hard to achieve high on-time delivery rates. It
19 is an important factor that all of our domestic producers
20 try to meet. I don't know if Mr. Young or Mr. Quist might
21 wanna address that.

22 MR. YOUNG: Sure, this is Ryan Young with Husky.
23 The corner of our business is Quick Ship is what we call it,
24 and we ship in forty-eight hours, and these are the
25 standardized size uprights and beams we're talking about

1 here with the Chinese imports. So I would say our business,
2 it fluctuates between 25- to sometimes even 50% of the rack
3 business we do, are the parts we're talking about here. And
4 I don't know if I could schedule my entire factory with
5 these parts, I would do it. So availability of these parts
6 with low lead time is not a problem.

7 MR. QUIST: Yes, Eric Quist with Speedrack.
8 Yeah, we sell most of -- well, like Ryan said, 20-25%
9 through distributors and their stocking distributors and a
10 lot of this lead time, we have to understand that the beams
11 that they are importing are very, very standard. They're
12 very easy to produce. I could produce those 5,000 a week,
13 maybe 10,000 a week. I could start tomorrow if I had to.
14 So we have warehouses full of these beams that are 96"
15 beams, 120" beams, 108" beams, and they're really the easy
16 part of the rack to produce, so lead times are not, for the
17 type of stuff that they import, does not affect us.

18 COMMISSIONER SCHMIDTLEIN: So could you expand on
19 that a little bit? So are they just importing beams? Or
20 are they importing the other components, as well, that take
21 additional time to manufacture?

22 MS. DRAKE: We see them offering imports of all
23 kinds of components with the uprights and the beams. I
24 think there is a sense that they started into the market
25 more heavily into beams than domestic producers because that

1 is the high volume, sort of low-labor, easy quick piece to
2 ship. But they're certainly not restricted to beams. They,
3 I think, kind of entered the market starting with more beams
4 than other domestic producers would because they wanted to
5 seize that market share. But they carry the full line of
6 all different kinds of components.

7 COMMISSIONER SCHMIDTLEIN: So this is a side
8 question here. But in talking about these components, when
9 you are competing for sales, is it usually on a complete
10 set? Whether it's assembled or not assembled. Or are you
11 competing for, say, sales of beams within a set? And then a
12 different purchase order may include the other components?

13 MR. ANDERSON: Jay Anderson from Steel King. We
14 primarily are providing complete sets.

15 COMMISSIONER SCHMIDTLEIN: And are they assembled
16 or they, they don't come assembled?

17 MR. ANDERSON: They do not. They're assembled on
18 site.

19 COMMISSIONER SCHMIDTLEIN: They're assembled on
20 site. So in the staff report, there's a distinction between
21 components and complete sets. So can you explain that a
22 little bit then, what we're talking about?

23 MS. DRAKE: So I think a lot of your
24 distributors, as I understand it, will have inventory of
25 your components that they can provide just a single

1 component or a set of components. But the direct orders
2 that you're taking are for systems, is that correct?

3 MR. ANDERSON: Jay Anderson, Steel King. Yes,
4 it's true. We have dealers that stock both major types of
5 components that can fill orders very quickly out of that.
6 We also, as a company, maintain a fairly large inventory of
7 both components and stock for our dealers to buy and fulfill
8 orders and we ship those generally in forty-eight hours.

9 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Young?

10 MR. YOUNG: I just wanted to clarify. I'm sorry,
11 Ryan Young with Husky. We also do take orders for more
12 complex systems and sometimes the distributor is able to mix
13 and match uprights with our beams and things like that.

14 COMMISSIONER SCHMIDTLEIN: So, are imports ever
15 mixed and matched with domestic beams then?

16 MR. YOUNG: Yes.

17 COMMISSIONER SCHMIDTLEIN: It does happen? Okay.
18 Okay. And so would anyone else like to speak to this
19 question about lead time? Any other of the witnesses?
20 Okay. Mr. Olson, did you --

21 MR. OLSON: Yes, Dave Olson. By and large, our
22 entire Quick Ship program, we do not hold inventory at our
23 facility. We produce make-to-order projects, large-scale,
24 fully-engineered projects from our warehouse. And those can
25 have variable lead times. Largely driven by -- you've got a

1 lot of engineering design work. You have professional
2 engineering reviews and seals that have to be done and
3 things like that. That drives the lead time on many
4 large-scale projects.

5 COMMISSIONER SCHMIDTLEIN: Okay.

6 MR. OLSON: But on the day-to-day, what we refer
7 to as commodity-type business, where small warehouses or
8 manufacturers or clients are using standard 8-foot, 9-foot,
9 type beams and 12- to 16-foot, 20-foot type frames, those
10 are items that our stocking distributors have significant
11 volumes of inventory for. Those lead times are generally
12 short and competitive. It is the special projects -- so if
13 a distributor's got a client that has a fully-engineered
14 system, where he's doing a big warehouse and has got to get
15 municipal approvals, building official reviews, requires PE
16 seals, those are longer lead time types of projects.

17 COMMISSIONER SCHMIDTLEIN: And do you find that
18 you're competing against subject imports for those types of
19 projects?

20 MR. OLSON: Not in general. It's more than
21 commodity-type business that our stocking distributors,
22 where they're selling those standard 8-foot, 9-foot type
23 beams out into the market, more of a commodity-type
24 business. And they have significant levels of inventory for
25 that. Lead time's generally not an issue in that market.

1 COMMISSIONER SCHMIDTLEIN: Okay.

2 MS. DRAKE: This is Elizabeth Drake. I would
3 just add that while a lot of the competition has been in the
4 way that Mr. Olson described, importers like UMH do
5 advertise that they provide services. Their brochure says,
6 "Let's build your warehouse," so they do have the ability to
7 compete in that part of the market as well.

8 COMMISSIONER SCHMIDTLEIN: Okay. And for any of
9 the other companies here, is what Mr. Olson said, generally
10 applicable to what you are experiencing in the market? Just
11 for the record, you might wanna just identify yourself.

12 MR. QUIST: Eric Quist, Speedrack. Yes, that's
13 exactly how our company operates, the same way.

14 COMMISSIONER SCHMIDTLEIN: Okay.

15 MR. QUIST: Yeah, through large products and then
16 Speed Ship programs to our distributors and that, and lead
17 times are not affected.

18 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Young?

19 MR. YOUNG: This is Ryan Young. Yes, same with
20 us, exact same business model.

21 COMMISSIONER SCHMIDTLEIN: Same? Mr. Neal?

22 MR. NEAL: This is Paul Neal with UNARCO. Yes, I
23 would agree with --

24 COMMISSIONER SCHMIDTLEIN: Okay. And Mr.
25 Anderson?

1 MR. ANDERSON: Jay Anderson, yeah, same model.

2 COMMISSIONER SCHMIDTLEIN: Same? So all of you
3 here are capable of producing customized, made-to-order
4 racks for a big project that requires engineering? Okay.

5 MS. DRAKE: And I would just add that at the
6 preliminary staff conference, Mr. Bartlett testified that
7 they were also able to do that.

8 COMMISSIONER SCHMIDTLEIN: Okay, all right,
9 great. Okay. I don't have too much time left, but let me
10 just switch gears a little bit. Because this question about
11 the ability to pass on raw material increases seem to be a
12 big issue in the case. So I wonder if you all -- and I know
13 we've heard the testimony that there are not automatic
14 provisions, or not provisions in your contracts to
15 immediately pass on those, they're not automatic, there's
16 not an index or such.

17 Could you talk about how that's done typically?
18 And historically, are you able to pass along the entire
19 increase in your raw materials or other costs?

20 MS. DRAKE: I'll let the witnesses answer, sorry.
21 But just to clarify, there are some contracts that have
22 indexes and some contracts that do not. And the vast
23 majority is spot, but if folks wanna talk about how that
24 works.

25 COMMISSIONER SCHMIDTLEIN: Okay.

1 MR. OLSON: Dave Olson with Ridg-U-Rak. Yes,
2 the, pretty much entirely all of our index projects where
3 we're able to pass on steel increases, are under a contract
4 where it's pegged to a publicly available index called the
5 American Metal Market. It's the most commonly used index
6 for hot-rolled steel in the U.S. And those contracts, we're
7 able to pass through cost increases. We usually make
8 adjustments on a quarterly basis, so there's volatility and
9 changes within a quarter, but by and large, follows the
10 trend.

11 On the day-to-day stocking programs, the
12 commodity-type markets, there are no indexes on those.
13 Also, many of the projects that are generally inside of a
14 three-month delivery window, there's no mechanism for
15 indexing or adjusting for steel in those cases, as well.
16 Those are mostly fixed-based bids on a
17 custom-engineered-type project.

18 COMMISSIONER SCHMIDTLEIN: And so would you
19 expect to be able to pass along the entire increase in raw
20 materials on those types of projects?

21 MR. OLSON: Not when it's a competitive bid with
22 standardized-type products, where if we were to try to pass
23 on our increase in steel costs, we would not be competitive.

24 COMMISSIONER SCHMIDTLEIN: Because of the imports
25 is what you're --

1 MR. OLSON: Correct.

2 COMMISSIONER SCHMIDTLEIN: -- is what you're
3 arguing. And what about the competition with the other
4 domestic suppliers? Does that impact your ability to pass
5 along --

6 MR. OLSON: We're competitive with U.S. domestic
7 suppliers that are, by and large, experiencing the same
8 steel costs volatility.

9 COMMISSIONER SCHMIDTLEIN: Right. Okay. We can
10 come back. My time is expired. Thank you.

11 CHAIRMAN JOHANSON: Commissioner Kearns.

12 COMMISSIONER KEARNS: Thank you all again for
13 appearing before us today. I guess I wanted to address the
14 subject import volume issues first. Ms. Drake, in your
15 brief, you argue that subject import volume is significantly
16 understated, based on the fact that Chinese producers and
17 exporters reported higher aggregate export volumes in
18 Commerce's AD and CVD investigations. How do you propose
19 that we fix that?

20 MS. DRAKE: Thank you, Commissioner Kearns,
21 Elizabeth Drake, Schagrin Associates. I'm not sure how to
22 fix it, other than by getting a better response rate from
23 Chinese producers or from importers of Chinese product. We,
24 in our comments on the draft questionnaires, identified
25 quite a number of importers that were clearly importing

1 Chinese product. Most of those have still not responded. I
2 know staff have done a wonderful job trying to follow up and
3 get better responses.

4 I guess at the end of the day, if there is a lack
5 of cooperation, what we would say, Number One, is we think
6 the record that the Commission has, supports an affirmative
7 volume finding. But Number Two, it certainly shouldn't be
8 the case that apparently low market share would be construed
9 against us, the petitioners, that the Commission should not
10 reward foreign producers or importers for failing to
11 cooperate by reaching a negative volume determination.

12 So while it's not quite as far as saying you
13 should apply adverse inferences, we don't think that that
14 should count against us that foreign producers and importers
15 failed to cooperate, especially when we, you know, worked
16 hard to try to identify as many as we could for the
17 Commission.

18 COMMISSIONER KEARNS: Okay, thank you. And you
19 had said in your opening, you responded to what the
20 respondents had said in their opening, about changes to the
21 scope. Can you elaborate any further now? You said that
22 basically that would only account for a very small share.
23 If there's more you can say now or post-hearing, that's be
24 helpful.

25 MS. DRAKE: We'll have to do that post-hearing

1 because that was the first time that I heard that argument
2 this morning, that is, was the scope that explained the
3 difference in the response rate. We may be able to identify
4 individuals that responded at Commerce that were clearly
5 producing out-of-scope product, but we don't think that
6 that's going to account for this very large discrepancy we
7 see between the participation of Commerce when it was in
8 Chinese respondents' interest to participate and the
9 participation here at the Commission.

10 COMMISSIONER KEARNS: Okay, thank you. And some
11 of this is gonna overlap with the questions Commissioner
12 Schmidlein had, but I wanted to address price suppression.
13 With regard to the industry's cost-price squeeze,
14 respondents argue that the most likely explanation for the
15 domestic industries' declining profitability is that
16 surcharge mechanisms typically operate with a time lag,
17 especially when the materials' price moves so abruptly and
18 dramatically as happened during the POI; can y'all respond
19 to that? Sounds like part of the response is, well, you
20 don't, most of these are spot sales. Anything else you'd
21 wanna say about that.

22 MS. DRAKE: Yeah, so thank you, Commissioner.
23 But the main response is that most of the industry sales are
24 spot sales where there is no sort of surcharge or indexing
25 mechanism and also even where there are contracts, not all

1 contracts have that indexing mechanism, as Mr. Young
2 testified. But if anyone else wants to talk about how the
3 prices are set, whether it's based in those spot markets or
4 contracts with surcharge mechanisms, they're welcome then to
5 --

6 MR. ANDERSON: Jay Anderson. Almost none of our
7 projects have a tie to an index. Almost all of our spot
8 deals --

9 MR. YOUNG: This is Ryan Young with Husky. We
10 have a cents-per-pound surcharge and we do our best to pass
11 through all the costs, but we got specific push-back because
12 of Chinese imports. And also our largest customers of
13 fixed-price contract, and we, as I mentioned in my
14 testimony, we negotiated with them for months and finally
15 got through a very small, single-digit percent increase in
16 price.

17 COMMISSIONER KEARNS: Okay, thank you. And I
18 guess, one interesting point here, going back to what you
19 said earlier, so with spot sales, of course, you don't have
20 indexing, obviously. And you're saying that that's where
21 you all compete most directly with subject imports as well,
22 right? Is in the spot sales?

23 MR. NEAL: This is Paul Neal with UNARCO. That
24 would be correct.

25 COMMISSIONER KEARNS: Okay. So this is kind of a

1 just a more broad question. But, could one expect domestic
2 prices to keep pace fully with the rising costs over the
3 period, given that there was only relatively modest growth
4 in apparent consumption?

5 Or maybe, probably the way to ask that, too, is,
6 historically, before the three-year period that we look at,
7 have there been big changes in your raw material costs and
8 were you able to immediately convert that into changes to
9 the price of your product? Anything you can submit on the
10 record on that, but also just, you know, more generally here
11 if you can help us understand, you know, how, before the
12 POI, were you able to immediately change your prices based
13 on raw material changes?

14 MS. DRAKE: Yeah, thank you, Commissioner Kearns.
15 Perhaps we could pull together some information post-hearing
16 on historic trends, in terms of maybe when the 201 was in
17 effect or something of that nature. But I would just say
18 that it's not necessary that 100% of the price suppression
19 be due to subject imports. There may be lags, there may be
20 other market trends that caused the domestic industry to not
21 always be to pass along 100% of its costs, but I think the
22 extent of the cost-price squeeze that we saw over this
23 period coinciding with the increase in imports at low
24 prices supports a finding that they contributed
25 significantly to price suppression.

1 COMMISSIONER KEARNS: Okay. Anyone else have any
2 thoughts on that? Based on your experience in the industry,
3 how is this period different in terms of responsiveness to
4 raw material price changes?

5 MR. OLSON: Mr. Kearns, this is Dave Olson with
6 Ridg-U-Rak. I would say that in the majority of my
7 twenty-seven years in this industry, we're almost always
8 able to pass on steel. We all buy steel from various
9 service centers and mills. We buy most of our steel from
10 the mills directly.

11 But we're all competing in the same steel market,
12 and whether it's imported steel or domestic steel, but when
13 you have import pressures, pricing pressure on those costs,
14 it's very difficult in most cases to pass on, unless you
15 have an indexing mechanism in a contract, we're all in the
16 same boat.

17 And, so until the years where imports became a
18 significant issue in this country, we were able to pass on
19 those costs by and large and remain competitive with one
20 another. But imports came into the U.S., that game changed
21 quickly. Thank you.

22 COMMISSIONER KEARNS: Okay, thank you. And yes,
23 Ms. Drake, if you could follow up, and I think the 201's a
24 good example, that might be helpful. Thank you.

25 Turning to the product-pricing issue. Assuming,

1 for the sake of argument that the pricing data does not
2 change from its current state, what is your case for
3 underselling and price suppression? How should we think
4 about that?

5 MS. DRAKE: Excuse me. Thank you, Commissioner
6 Kearns. Assuming the pricing product data does not change,
7 we, first of all, do think there's a strong record of price
8 suppression. The Commission has in the past found that,
9 even in cases where there is not enough to find significant
10 underselling, those imports could nonetheless suppress
11 prices by perhaps creating a ceiling on prices. We don't
12 think that's the situation here, but that is intellectually
13 possible and legally defensible finding and the record here
14 does strongly support price suppression.

15 With respect to underselling, as I mentioned in
16 my presentation, there may be a level of trade issue that is
17 understating the amount of underselling in the sense that
18 the importers act as their own distributors and their prices
19 include a distributors' markup, whereas the domestic
20 producers' reported prices do not. We can see if we can try
21 to quantify that post-hearing to see if that might explain
22 some of the apparent overselling and show that actually,
23 when you go at a distributor-to-distributor basis, that
24 would be underselling in the market and that's why the
25 domestic industry has lost sales.

1 And then all of the qualitative responses from
2 purchasers in terms of Chinese product being lower priced,
3 switching to Chinese product because of lower prices, all of
4 the price offers that have come directly to our clients that
5 are uniformly far below their prices, we think all support a
6 finding of significant underselling.

7 COMMISSIONER KEARNS: Okay, thank you. And just,
8 let me -- so first of all, on the level of trade issue, how
9 would you be able to quantify that?

10 MS. DRAKE: Well, we can work with our clients to
11 see if they have a sense of what a typical distributor
12 markup might be. We can also look at the importers'
13 responses in terms of the average unit values of their
14 imports and the average unit values of their shipments.
15 Maybe be able to identify which are the ones that are
16 themselves distributors versus shipping to a distributor and
17 see if we can find some support for this idea that their
18 pricing reflects a different level of trade, so we'll work
19 on that.

20 COMMISSIONER KEARNS: Okay. And do you expect
21 this is true of all of the distributors?

22 MS. DRAKE: Of importers?

23 COMMISSIONER KEARNS: All the importers or
24 distributors, yes.

25 MS. DRAKE: Off the top of my head, I can't give

1 you a good response to that, but maybe we can break them out
2 and try to get at that post-hearing.

3 COMMISSIONER KEARNS: Okay. And then just to
4 follow up on your point about how we can find suppression
5 even without underselling. So you're saying, even if the
6 imported prices tend to be above the U.S. price, the U.S.
7 price may not be able to go above the imported price and so
8 that's suppression?

9 MS. DRAKE: Yes, Commissioner, that's --

10 COMMISSIONER KEARNS: But wouldn't you still see
11 the overselling--how do I say that--diminishing? I mean you
12 would think that the prices of the two would end up -- we
13 would hit the ceiling, right? Wouldn't you expect that?

14 MS. DRAKE: Yeah, I'd have to look at the data.
15 I mean I guess the case I'm thinking of, I think it was wind
16 towers where the Commission made a finding of this nature
17 that there wasn't enough evidence of underselling, but there
18 was enough evidence of price suppression, so we can look at
19 the trends --

20 COMMISSIONER KEARNS: Okay.

21 MS. DRAKE: -- reflect that.

22 COMMISSIONER KEARNS: Thank you very much.

23 CHAIRMAN JOHANSON: Thanks again to all of you
24 for appearing here today. I'm gonna follow up a bit on an
25 issue that was raised by Commissioner Kearns. Respondent

1 argues that subject imports oversold more than undersold the
2 domestic like product with respect to Product 1, the pricing
3 product with the largest sales quantity coverage. And this
4 is discussed at Page 27 of their brief and also at Table 5-3
5 of the staff report.

6 Given that most of the reported pricing data was
7 for Product 1, should we place extra weight on the pricing
8 data for this product? And also, how do these data support
9 significant underselling?

10 MS. DRAKE: Thank you, Chairman Johanson. We
11 believe that the Commission should look at all of the
12 pricing data before it. The one concern that we have that
13 we raised in our post-hearing brief is that the data is
14 being skewed by very aberrational prices reported by one
15 importer. And we appreciate that Commission staff have been
16 working with that importer to confirm those prices, but a
17 number of items that we pointed out in our prehearing brief
18 indicate that there may be additional follow-up that's
19 needed to make sure those prices are actually correct.

20 We also, as I was discussing with Commissioner
21 Kearns, believe that there's a difference in level of trade,
22 that that is understating the amount of underselling that
23 has occurred and we will work to try to quantify that and
24 see what would be a more apples-to-apples comparison, would
25 it actually show the level of underselling that not only

1 domestic producers uniformly have experienced in the market
2 but that purchasers themselves confirm has to provide the
3 market during the period.

4 CHAIRMAN JOHANSON: Thank you, Ms. Drake. Yes,
5 clarification on that issue would be particularly helpful
6 for us, so any further clarification that you all can
7 provide would be beneficial.

8 Something of a similar nature was raised by the
9 respondents. How do you respond to the respondents'
10 position that non-subject imports are significantly
11 understated on this record as Frazier Industrial's data are
12 missing, as discussed at Page 7 of the respondent brief.
13 Respondents contend that this gap in data also means a
14 market share for subject imports is overstated.

15 MS. DRAKE: Thank you, Chairman. While it's
16 possible that non-subject imports are understated by one
17 importer that's missing, we don't think that is near to the
18 scale by which subject imports are understated by the fact
19 that we have so few responses from known importers and known
20 foreign producers.

21 And it may be helpful for some of our witnesses
22 to talk about the competition that they see from imports
23 from Mexico, which is the non-subject country that
24 respondents have focused on, versus the competition that
25 they see from imports from China, to try to address this

1 question.

2 MR. ANDERSON: This is Jay Anderson with Steel
3 King. In my experience, I have very few reports ever of
4 losing a project in our case to a Mexican importer. We hear
5 a lot more about Chinese imports.

6 MR. OLSON: This is Dave Olson, to dove-tail into
7 that response, I cannot name one project that we've lost to
8 Mexican imports in my career. It's almost non-existent for
9 us. Recognizing that we're in Pennsylvania and that we
10 compete more in a regional basis than we would along the
11 Mexico/U.S. border, but I hear of no competitive pricing
12 pressures in the United States coming from Mexico.

13 MR. NEAL: Thank you. This is Ryan Neal with
14 Husky and I completely agree with my two colleagues. I have
15 no knowledge of any Mexican imports or any pricing pressure
16 thereof.

17 MR. QUIST: Eric Quist for Speedrack. I agree
18 with Mr. Olson. In my 17 years I have never run up against
19 a Mexican manufacturer. I've lost jobs to all these
20 gentlemen here in the room but I've never lost, I haven't
21 even seen a quote from a Mexican manufacturer, only from the
22 Chinese.

23 CHAIRMAN JOHANSON: And that all is the case, the
24 Mexican share of the market is not insignificant.

25 MS. DRAKE: I believe that may be because of the

1 difference in the pricing of the imports from Mexico and the
2 pricing of the Chinese Imports that the Chinese are so much
3 lower priced that they really do create this pressure that
4 everyone at these tables has felt and you also have the fact
5 that to the extent that the Mexican imports are being
6 imported by Domestic Producers they don't want to injure
7 themselves or injure the Domestic Industry whereas that's
8 certainly not the case with Chinese Imports that there's no
9 real connection with the Domestic Industry that would keep
10 them from injuring the Domestic Industry or reduce the
11 amount of that injury.

12 CHAIRMAN JOHANSON: Alright, thanks for your
13 responses. Now moving onto a different issue. Respondent
14 takes the position that Subject Imports and their change in
15 their share of consumption are so small as to make any claim
16 of a causal link to material injury which they claim would
17 be implausible on its face and this is discussed at page 15
18 of their brief. Could you all please respond to this
19 contention of the Respondents?

20 MS. DRAKE: Thank you, Chairman. We think that
21 the increase in imports is significant on its face including
22 the increase in market share even given what we believe is
23 the understated nature of that market share data, the fact
24 that we have so many Domestic Producers that have joined
25 together to petition for relief from these imports so they

1 certainly don't think that this loss in market share is
2 insignificant and particularly that had occurred while
3 demand was rising and there were no other causes that would
4 account for all of the injury the Domestic Industry has
5 suffered we think shows that that volume, that market share
6 is significant enough for an affirmative determination,
7 especially when you pair it with the adverse price effects
8 that those imports have had.

9 CHAIRMAN JOHANSON: Thanks, Ms. Drake. I'm going
10 to repeat another statement of the Respondents which is
11 similar but I would appreciate it if you would respond to
12 this as well. Do Subject Imports have "minimal if any"
13 market power in the United States as the Respondent contends
14 in page 14 of their brief?

15 MS. DRAKE: Thank you, Chairman. No. They have
16 much more than minimal impact on the market. I mean, first
17 of all there is no de minimis threshold for an affirmative
18 volume finding the Commission has reached affirmative
19 determinations on even smaller market shares in the past and
20 even the courts have said that especially with
21 commodity-type products that are very interchangeable and
22 that compete largely on price, even a very small gain in
23 market share can be very injurious to the Domestic Industry
24 and we believe that is the case here, given the strong
25 record of high interchangeability, strong price competition

1 and that increase in market share came directly at the
2 expense of the Domestic Industry as demand was growing.

3 CHAIRMAN JOHANSON: Thank you. Moving on to yet
4 another issue. The Coalition has noted that 42.3 percent of
5 purchasers reported usually or always buying the lowest
6 price product? This is at page 9 of their brief. The rest,
7 the majority of purchasers reported that they only sometimes
8 purchased lower priced product, as shown at Table 216 of the
9 Staff Report.

10 Don't these data suggest the importance of
11 non-price factors in the sale of steel racks?

12 CHAIRMAN JOHANSON: Thank you, Chairman. No we
13 believe they support the finding of the importance of price,
14 to have more than 40 percent of your purchasers say they
15 usually or always buy the lowest price product we think is a
16 very significant amount, demonstrating how important price
17 is.

18 Even those who say they usually or always buy the
19 lowest price product at least admit that they sometime buy
20 the lowest price product so we think that combined with all
21 of the other purchaser responses about the importance of
22 price and being the most frequently named top 3 purchasing
23 factor, support a finding that price is actually very
24 important in the market.

25 CHAIRMAN JOHANSON: What would be some of the

1 non-price factors which might drive sales?

2 MS. DRAKE: So the ones that the --

3 CHAIRMAN JOHANSON: If the products that are
4 completely interchangeable or are largely interchangeable.

5 MS. DRAKE: The ones that the purchasers
6 mentioned as their other two top three purchasing factors
7 were quality and availability. But quality we believe is
8 comparable and that's what the purchasers report and also on
9 availability they report comparability.

10 So while on any individual transaction there may
11 be some non-price differences as well as some price
12 differences. Overall, it appears to be price that's driving
13 a lot of the purchasing decisions and that's what we
14 understand from the producers as well that once you've got
15 the specs it really comes down to price and pretty much
16 anyone playing in the market can meet the specs.

17 CHAIRMAN JOHANSON: Alright, thank you for your
18 response. My time is about to expire so we will now return
19 to Commission Williamson.

20 COMMISSIONER WILLIAMSON: Thank you, Mr.
21 Chairman. I want to thank all the witnesses for coming
22 today and presenting their testimony.

23 I know we've already discussed this question of
24 lead time but I want to go back to it for a second. The
25 record suggests that the Domestic Industry importers operate

1 differently since that the Domestic Industry has a much
2 lower percentage sales from inventory than do importers.
3 This is Staff Report page 2-14.

4 So I want to know what does it suggest that they
5 operate differently and what would be that difference?

6 MS. DRAKE: Thank you, Commissioner Williamson.
7 I believe it's because, as our witnesses testified, their
8 distributors are the one who are doing the quick shipments
9 so it wouldn't make sense for a company to hold all of its
10 inventory in Pennsylvania for every shipment.

11 They send it out to their distributors so they
12 can hold it closer to the customers whereas the importers
13 already have their distribution warehouses as Mr. Bartlett
14 testified in the preliminary Staff Conference but that's
15 their business model that they already have their
16 distribution warehouses.

17 Here, it's just a step removed that the
18 distribution warehouses are not necessarily owned by the
19 domestic manufacturers but their distributors are holding
20 that product for a quick delivery and they have it built
21 into their production schedules, to keep those distributors
22 supplied so they can make those quick deliveries.

23 COMMISSIONER WILLIAMSON: So is it that the
24 distributors are the ones who are operating just in time and
25 they have to plan? Does anyone want to comment on that?

1 MR. OLSON: Commissioner Williamson, thank you.
2 This is Dave Olson with Ridg-U-Rack. Our company is modeled
3 where we do not build inventory for what we consider
4 standardized commodity type products, as I mentioned earlier
5 and our lead times are generally driven by projects.

6 For an example, a Wal-Mart Distribution Center
7 one million foot D.C. there requires professional
8 engineering. Those things take a lot of time but we have
9 reservations. Most of our large stocking dealers have
10 reservation orders that are placed three to four months in
11 advance so every two weeks, for example, I'm shipping stock
12 to a stocking distributor. That's already in my production
13 schedule.

14 So yes, our lead times might be stated to be
15 longer than three to four weeks at times but our stocking
16 distributors have direct entry into our production schedule
17 by placing those orders well in advance. So we're sending
18 that product out, stocking those commodity products in
19 multiple stock distributor locations. Those stocking
20 distributors are competing in that 48 hour delivery window
21 timeframe that many of the importers that have Chinese
22 product in their warehouses and they successfully compete on
23 a regular basis on lead-time. I never hear them losing,
24 from our stocking distributors, losing projects because of
25 lead time. It's always price.

1 COMMISSIONER WILLIAMSON: Okay. Anyone else want
2 to comment on that?

3 MR. QUIST: Yes, so our model for our company,
4 this is Eric Quist with Speedrack Products Group is similar
5 to Mr. Olson's. We reserve a certain amount of weight for
6 our stocking dealerships to use and we always have something
7 in the pipeline for them. We do produce some of their stock
8 weight and do warehouse it for them so they can get it in a
9 hurry. We need 48 hours.

10 We also stock at our plant's speedship program
11 that can be delivered generally in two days, sometimes as
12 much as five days but we do have stock that we do produce on
13 a daily basis and we keep enough in the pipeline for the
14 dealers so that they can get it generally within 4-5 weeks
15 at the most but they're always stocking and they are always
16 reserving weight for them to make sure that they have that
17 capacity at our plant so lead times are very good through
18 the stocking dealers.

19 COMMISSIONER WILLIAMSON: We talked about
20 project. Has there been any shift over this Period of
21 Investigation of say the percentage of sales are going to
22 the large projects versus the commodity -- has there just
23 been a steady growth in new projects?

24 MR. OLSON: Dave Olson with Ridg-U-Rack. I would
25 say that our stock order volume business if I had to pick

1 one segment from 2016 to 2018 it took a pretty significant
2 hit in buying as where as our engineering projects remain
3 quite steady and actually grew some quite robust because of
4 the ecommerce and logistics expansion that's in the
5 industry.

6 Our day-to-day, what we again consider, I hate
7 using the word commodity but the standardized products that
8 stocking distributors are stocking took significant
9 reductions in the POI.

10 COMMISSIONER WILLIAMSON: Thank you. Okay.
11 Good, thank you for those answers.

12 What explains the particular apparent U.S.
13 consumption pattern that we see? Particularly the
14 difference in growth between 2016 and 2017 which was kind of
15 flat, versus the faster growth between 2017 and 2018 and
16 then the change in the interim period? In other words, the
17 rates of growth were different in each of those periods and
18 is there an explanation for that?

19 MS. DRAKE: It does seem that there is an
20 industry consensus that demand peaked in 2018. Demand
21 growth peaked when you look at sources on new warehouse
22 space being built and things of that nature.

23 I think that the decline in the interim period
24 may be somewhat overstated because it's based just on new
25 imports of racks from China and doesn't include any

1 shipments from inventory that were being made in the market
2 that would more accurately reflect domestic consumption but
3 everything that we've looked at seemed to say that it really
4 shot up in 2018 and it's not going to reach that peak again
5 in terms of growth rates.

6 COMMISSIONER WILLIAMSON: Okay, thank you. Did
7 the Domestic Industry experience any difficulty in sourcing
8 raw materials given the rapid increase in prices in the wake
9 of the 232 duties?

10 MS. DRAKE: Any shortages of raw materials? I'm
11 sorry.

12 COMMISSIONER WILLIAMSON: Any difficulty sourcing
13 raw materials given the rapid increase in prices, 232.

14 MR. ANDERSON: This is Jay Anderson with Steel
15 King. We have not experienced any difficulty in getting the
16 steel we need to manufacture the products that were ordered
17 from us.

18 COMMISSIONER WILLIAMSON: Okay, so even though
19 there was a sharp rise in steel prices, you deal with it?

20 MR. ANDERSON: The price went up, or the cost
21 went up as it may be but we were still able to procure it.

22 COMMISSIONER WILLIAMSON: Okay, thank you. What
23 is your capacity utilization rate in this industry and how
24 does the diversity of the product, you know different sizes,
25 different shapes, different finishes effect capacity

1 utilization and what is the biggest limit on capacity?

2 Anybody?

3 COMMISSIONER WILLIAMSON: Would you rather do
4 that posthearing?

5 MR. NEAL: This is Paul Neal with UNARCO. We
6 concentrate a lot of our business on engineered, highly
7 engineered systems which would tend to have various sizes
8 and shapes that aren't maybe in that most commoditized group
9 of products.

10 I think you were asking if you didn't run a very
11 set, standardized set of products, how much would that
12 affect your utilization rather than if you just ran a
13 standard set of products?

14 COMMISSIONER WILLIAMSON: Yes, correct.

15 MR. NEAL: Well it would affect the amount of
16 output you can do, quite a bit, due to the setups and run
17 rates and constantly going from one product to the other.
18 If you just set up for a very standardized product mix and
19 just concentrated on that, your output would be dramatically
20 higher. Does that answer your question?

21 COMMISSIONER WILLIAMSON: Yeah. And I guess
22 what implications does that have for your competition with
23 the imports, which I assume are more commoditized?

24 MS. DRAKE: That's right. I think, as Mr. Quist
25 testified, that being denied volume in that commodity market

1 is particularly harmful to capacity utilization. He
2 addressed the issue of beams, that on a paint line you can
3 get a lot more beams painted in one blast of paint than
4 those upright frames with all the different holes and things
5 like that. So to lose that high-volume beam product that's
6 much more efficient to produce certainly would be more
7 harmful to capacity utilization.

8 MR. ANDERSON: This is Jay Anderson at Steel
9 King. I just wanted to share that in our case the
10 construction design of the upright frame, it's very custom
11 reinforced, with lots of options, it's a small fraction of
12 the throughput that we have with a more standard
13 commoditized upright frame such as was used in the examples
14 we needed to report our sales of. It's a very small
15 fraction but a major impact on our throughput on upright
16 frames.

17 COMMISSIONER WILLIAMSON: Okay. Yes?

18 MR. NEAL: Just as a follow-up, if we only had
19 that more customized product to make, and you took all that
20 standardized product out, that would be very detrimental to
21 our overall financial well being because a lot of the volume
22 in overall output is tied to those very standard items, even
23 though that their overall output is lessened by more
24 customized items.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 Anything further you want to add, posthearing, about
2 capacity utilization rates would be helpful.

3 And thank you for those answers.

4 CHAIRMAN JOHANSON: Commissioner Broadbent?

5 COMMISSIONER BROADBENT: Thank you.

6 I want to welcome the witnesses for coming from
7 so many different places to be with us today. We really
8 appreciate our participation.

9 Ms. Drake, there's a couple of large U.S.
10 producers that aren't part of your petitioning coalition.
11 Why is that?

12 MS. DRAKE: We might need to address that
13 posthearing in terms of developing that information, and
14 also looking at whether or not they have otherwise expressed
15 support for the Petition. But this was the group that was
16 pulled together. We've got 10 members, definitely the
17 majority of the domestic industry, in strong support.

18 COMMISSIONER BROADBENT: Okay. Mr. Anderson and
19 Mr. Quist, demand for steel rack is affected by the growth
20 in E-commerce, which we all know has exhibited significant
21 growth in recent years. However, apparent U.S. consumption
22 data does not show dramatic changes in demand from 2016 to
23 2018, and apparent U.S. consumption decreased in the first
24 quarter of 2019.

25 How do you explain the trends in demand? Mr.

1 Quist, or Mr. Anderson?

2 MS. DRAKE: I'm sorry, Commissioner Broadbent,
3 this is Elizabeth Drake. Since they are not privy to the
4 Commission's consumption figures, they don't know. Because
5 it's APO, they wouldn't know what that shows. But I do know
6 that as an industry at least in 2016 there was a projection
7 of significant demand. Correct?

8 MR. ANDERSON: Jay Anderson. Yes, we had growth
9 in 2016. Slower rates of growth recently.

10 MS. DRAKE: And I believe, as we were
11 discussing, some of the increase in E-commerce is offset by
12 retail locations closing down. And so there's kind of a
13 give-and-take in that regard.

14 COMMISSIONER BROADBENT: That makes sense.
15 Okay. It appears that domestic producers control the
16 majority of nonsubject import supply into the United States.
17 To what extent would the application of AD-CVD duties on
18 China lead to supply being entirely consolidated within the
19 domestic industry?

20 MS. DRAKE: It may be that some of the--not--the
21 domestic industry wouldn't get 100 percent of the gain if
22 Chinese imports exited the market. But we do see that there
23 is a strong correlation between when the Chinese imports
24 gained market share and when the domestic industry lost
25 market share. So we do think that there would be

1 appreciable benefit of seeing a reduction in that Chinese
2 volume.

3 And as our witnesses testified, after preliminary
4 relief, kind of after the POI in terms of the antidumping,
5 really they have seen a number of customers come back and
6 see sales improve. So there has been a correlation between
7 the Chinese import volume and the ability of the domestic
8 industry to increase sales or lose sales.

9 COMMISSIONER BROADBENT: But if the duties go in
10 place permanently under the Order, basically it will be the
11 U.S. industry that's going to be controlling imports as
12 well, right? Because most of them are coming from Mexico.

13 MS. DRAKE: Correct. But I don't think that's
14 our group, so I'm not sure that they can speak to that.

15 COMMISSIONER BROADBENT: Okay. Alright. Ms.
16 Drake, the domestic industry lost some market share, but it
17 was a fairly small shift. Looking at apparent consumption
18 growth, it's difficult to argue that the domestic industry
19 lost out on a period of significant growth.

20 If you assume for the moment that the Commission
21 does not find significant price suppression or depression,
22 would a market share shift in this case be a strong enough
23 basis to reach an affirmative determination?

24 MS. DRAKE: Thank you, Commissioner Broadbent.
25 Yes, we do believe that this shift in market share alone is

1 sufficient to support an affirmative determination. And
2 that's in part because these are largely interchangeable
3 products, and we believe that correct, full record would
4 show that the Chinese products are a much lower price. And
5 you have significant--that loss in market share also led to
6 a decline in production, flat sales, and then, we believe,
7 because of price pressure in addition to the negative
8 volume effects the very negative financial performance of
9 the domestic industry, even as demand was growing. Even
10 though it might not be, you know, a massive growth in
11 demand, it was a growth in demand. So the industry should
12 have expected to have improved its performance rather than
13 seeing this large downward trend in its financial
14 performance.

15 COMMISSIONER BROADBENT: Okay, this is for the
16 industry witnesses. Respondent UMH argues that there's a
17 lack of correlation between subject imports and declining
18 domestic industry performance. And that, instead, rising
19 raw material costs have negatively impacted the industry's
20 financial performance. Please respond to this argument.

21 MR. ANDERSON: Jay Anderson with Steel King.
22 We've actually seen steel costs decrease quite a bit over
23 the course of this year, so that is not the same situation
24 with that input that it was last year.

25 MS. DRAKE: And I think, Mr. Anderson, since

1 that's after the Commission's POI, maybe you or one of the
2 other witnesses can talk about the relationship between
3 increased costs and prices. Was all the injury simply due
4 to rising costs? Or were there other factors?

5 MR. YOUNG: This is Ryan Young with Husky.
6 Typically we're able, and historically we're able to pass
7 through any material cost increases, but this time was
8 different. We got pushback. In one particular case, one I
9 referenced in my testimony, one distributor who is a top
10 three customer for us, we had to lower their prices. And
11 they took--it's probably a good idea to pass this
12 confidentially outside of this hearing how the numbers for
13 them, and particularly went down as far as sales, and now
14 sales have been restored since the duties went--I don't know
15 the jargon, but since the preliminary duties went into
16 place.

17 COMMISSIONER BROADBENT: Okay, Ms. Drake, on
18 page 17 of your prehearing brief you state that if the
19 Commission determines that underselling was not significant,
20 it should nonetheless find that imports had significant
21 adverse price effects.

22 Can you point to any final investigation in which
23 the Commission has not found subject import underselling to
24 be significant but has found significant price depression or
25 suppression? I think the case you mentioned was a 3-2, and

1 then one of those 3's was really a threat. Is there any
2 where a Commission majority has found injury?

3 MS. DRAKE: Commissioner Broadbent, we'd be
4 happy to look at that posthearing to see if we can identify
5 some more cases. I think there's certainly some older court
6 cases where the court found underselling is not required;
7 price suppression or depression on its own can support an
8 affirmative finding. But we'd be happy to find some
9 additional cases posthearing.

10 COMMISSIONER BROADBENT: Okay. Ms. Drake,
11 confirmed lost sales accounted for less than one percent of
12 apparent U.S. consumption. Does this prove that the subject
13 imports undersold the domestic like product?

14 MS. DRAKE: Thank you. One issue that may exist
15 with the lost sales, and we can go through this posthearing
16 as well, is I believe some of the purchasers who purchase
17 from our domestic producers are themselves distributors. So
18 even if they are continuing to purchase from domestic
19 producers, those distributors themselves may be losing sales
20 to competing distributors that are distributing Chinese
21 product. So asking the distributors if they reduced their
22 sales is a little bit different than from the domestic
23 producers may not get at the full head-to-head competition
24 between distributors of domestic product and distributors of
25 Chinese product.

1 But we do think the fact that the vast majority
2 of those who did report lost sales either said the Chinese
3 product was priced lower, or in fact attributed the lost--
4 the shift primarily to lower Chinese prices does support an
5 affirmative underselling finding.

6 COMMISSIONER BROADBENT: Okay. For the industry
7 witness, why did steel prices gradually decline after July
8 2018, despite the continued application of the 232 tariffs?

9 MR. ANDERSON: This is Jay Anderson. We've seen
10 some steel producers adding capacity, firing up previously
11 shuttered production systems, and adding new furnaces. So
12 supply and demand came back and offset the increase.

13 COMMISSIONER BROADBENT: Is that what the other
14 industry witnesses would agree with?

15 MR. OLSON: This is Dave Olson. Yes, I concur
16 with that. The steel industry in the period you mentioned
17 certainly has added capacity. And I think that's a
18 significant factor in the reduction in steel costs in the
19 past six months. Thanks.

20 MS. DRAKE: And perhaps we can put in
21 posthearing some more recent news articles about whether or
22 not that's reached a floor, or some of the producers are
23 trying to now put through price increases. So it's a very
24 volatile market.

25 COMMISSIONER BROADBENT: Okay, thank you. My

1 time has expired.

2 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

3 COMMISSIONER SCHMIDTLEIN: Okay, thank you.

4 Can we go back for a second to this question
5 about lead times, and specifically the question about some
6 importers who are also distributors, right? So I'm just a
7 little bit confused, because--and this is APO, so the
8 witnesses wouldn't have access to this, but, Ms. Drake, you
9 would. On page II-5 of the Staff Report where it shows the
10 channels of distribution and how much U.S. producers
11 shipments are going to distributors, and how much to end
12 users. And then U.S. importers from China going to
13 distributors, and then to end users, right? And so I'm
14 trying to understand this argument about that--when the
15 Staff Report reports that most U.S. producers are producing
16 made-to-order, right? But importers are selling out of
17 distributors' inventories.

18 But when you look at the ratios there, so are
19 most U.S. producers producing to order for distributors? Is
20 that the--

21 MS. DRAKE: I'll have the industry witnesses
22 answer, but my understanding is that when you are producing
23 for your distributors it's based on a schedule that you have
24 that they put in an order that we're going to want this
25 volume in five weeks, or what have you, and that's put into

1 your production schedule. Correct?

2 MR. OLSON: This is Dave Olson. Yes. As I
3 stated earlier, we have a production schedule already locked
4 in for most of our stocking distributors. Now our stocking
5 distributors are bringing in standardized products and
6 stocking those in volume. Very much the same way,
7 distributors that import Chinese manufactured rack into
8 their warehouses. So they're on a level playing field
9 competition wise in that market, but price is the main
10 differentiator. I hear it all the time from stocking
11 distributors. It's not a lead time issue for them; it's a
12 price issue.

13 COMMISSIONER SCHMIDTLEIN: So I guess wouldn't
14 the distributors have the same situation with the Chinese,
15 with buying from the--in other words, aren't the--the
16 importers are arguing that they're--I'm sorry, there are so
17 many levels of trade here, right? So when it's being
18 reported that the imports are being sold out of inventory
19 versus domestic suppliers are being made to order, can you
20 just explain why we see that discrepancy in the staff
21 report, given that the ratios are similar in terms of
22 workmanship to each type of buyer?

23 MS. DRAKE: Commissioner, I believe it's because
24 the importers are holding inventories in the U.S., whereas
25 domestic producers largely do not. Domestic producers rely

1 on their distributors to hold the inventory so they can
2 quick-ship to closer to market. Whereas, the importers do
3 have their own warehouses from which they can ship to
4 distributors as well as to end users. And so I believe
5 that that's the difference because obviously the lead time
6 across the ocean in China is not shorter than the lead time
7 in the United States; it's that the importers already have
8 the product here in the United States to ship to either
9 channel.

10 COMMISSIONER SCHMIDTLEIN: Okay. Okay, and then
11 with regard to this question about importers being
12 distributors, as well, and that that's perhaps affecting the
13 pricing data. If I understood, that's the relevance of that
14 argument. Do you have any sense of how many? Maybe you've
15 already said you're going to go back and look at this?

16 MS. DRAKE: Thank you, Commissioner. Yes, we will
17 have to go back and look. I apologize I don't have that off
18 the top of my head, but there are some importers that you
19 can see they have their own internet portal, sort of
20 Amazon-type shopping available for racks.

21 There are other importers that when you look at
22 the markup between what they're importing and what their
23 U.S. shipment value is, it appears that they are acting as
24 distributors not just as importers. Even though there are
25 significant amounts of imports that are themselves shipped

1 to distributors, we believe that there are also importers
2 who act as their own distributors. But we will need to go
3 through that on an importer-by-importer basis to try to
4 substantiate that and see how it is affecting the pricing
5 data.

6 COMMISSIONER SCHMIDTLEIN: And you think that it
7 could be? That's why subject import prices are being
8 reported higher? Because those importers are reporting the
9 price that they're selling as a distributor not just the
10 price--

11 MS. DRAKE: Exactly.

12 COMMISSIONER SCHMIDTLEIN: If you're right, then
13 they should have been reporting those as sort of direct
14 imports, with some estimate of cost.

15 MS. DRAKE: Right--well, or it's just that we
16 know that all of the domestic producer sales are being
17 reported to--you know, some to distributors and some to end
18 users. And the importer sales are probably not at the same
19 level in terms of how much is to distributors and how much
20 is to end users. But I think we need to look at it at an
21 importer-by-importer basis to see if that really is what's
22 driving the difference. So I apologize for not--

23 COMMISSIONER SCHMIDTLEIN: Okay, no, I'm just
24 trying--it does get confusing. We've had this in other
25 cases, obviously, where although we're kind of looking at it

1 from--you know, it's the same coin, just the opposite side
2 where you will have a distributor who is acting as an
3 importer, right? Or some sort of purchaser who is acting as
4 their own importer. And there we ask them to report the
5 purchase cost data with some estimate of how much it cost
6 them to be the importer. Versus here where this entity may
7 be mostly an importer but they're also acting as a
8 distributor, right? So--anyway--okay.

9 Okay, so a couple of other questions here having
10 to do with the pricing data. First of all--and these are
11 probably for Ms. Drake. Do you think that AUVs are a good
12 measure of pricing in the market? Is there a product mix
13 issue here that would suggest that we shouldn't look at AUVs
14 for price trends?

15 MS. DRAKE: I guess my answer would be two-fold,
16 Commissioner. To be honest, there will be some product mix.
17 A beam is going to be less complex than an upright. And you
18 can see that in the pricing data for the beams versus the
19 uprights.

20 But the difference in the AUVs for imports from
21 China and the AUVs for domestic shipments is so huge that
22 that can't be fully explained by product mix.

23 COMMISSIONER SCHMIDTLEIN: Well, and wouldn't the
24 trends be the same? I assume there's a cost differential,
25 but the trend in terms of what the price is doing for a beam

1 and what the price is doing for the other part is moving in
2 the same direction?

3 MS. DRAKE: It's dollars per pound, and most all
4 that pound is steel.

5 COMMISSIONER SCHMIDTLEIN: Right. Okay. So when
6 you look at--here's one question. When I look at the export
7 AUVs for the U.S. industry, and you see those going down in
8 '18, if you just look at the C Table, right? You see them,
9 they go up by a fair amount from '16 to '17, but then they
10 go back down. And '18 is of course when steel costs go up
11 the most, raw material costs go up the most.

12 So you don't have to do it here, but--unless you
13 have an answer--but I'm just curious as to why are export
14 AUV prices dropping in 2018.

15 Okay, you can do that in the posthearing.
16 Alright, another question. When you look at--this of course
17 goes back to this question about what are we going to point
18 to? What would we point to to say that the domestic
19 industry should have been able to increase prices more than
20 they otherwise have, right?

21 MS. DRAKE: Um-hmm.

22 COMMISSIONER SCHMIDTLEIN: So when you look at
23 the increase in subject imports from '16 to '17, and then
24 '17 to '18, it's roughly the same in terms of--at least in
25 terms of percentage increase, right? So they're going up in

1 roughly the same amount. You have the bigger increase in
2 demand, at least by apparent consumption, in '18. Right?
3 Apparent consumption was sort of flat, but then went up some
4 in '18 for an overall increase.

5 When you look at the pricing products just in
6 terms of the trends, and of course we know that raw material
7 costs went up in '18, the 232 tariffs went on, pricing
8 products did go up in '18. And we've had a lot of questions
9 about looking at years before the POI. You know, given
10 that the volume from China was roughly the same in each of
11 the years, they were able to push through price increases at
12 least by the pricing products in '18, so what would we look
13 at? What would we point to to say well they should have
14 been able to increase it more?

15 MS. DRAKE: Thank you, Commissioner Schmidtlein.
16 I think we'll probably want to see if we can break it out
17 quarter by quarter, because you had so many things happen in
18 2018. We had the 232 duties go on. We had the filing of
19 these cases. And they were all really close together. And
20 we saw changes not just in domestic prices, but I think in a
21 lot of the importer prices in the quarters after these cases
22 were filed.

23 So it's not only cost driver that's happening,
24 but also maybe a change in terms of the price pressure after
25 these Petitions were filed. So unfortunately we don't

1 really have true cost data on a quarterly basis, but we at
2 least have hot-rolled index or something that we can look at
3 and try to figure out what was driving. We do believe it
4 wasn't just costs flowing directly through to prices, but
5 also some initial relief from the fact that these cases were
6 filed in terms of less severe pricing pressure from subject
7 imports.

8 COMMISSIONER SCHMIDTLEIN: Okay. Well I invite
9 you to address that in a posthearing brief.

10 And then my last question is: Mr. Young, you
11 have testified a couple times about the pushback you
12 received, and you mentioned a big client, and so forth, and
13 you were going to address that in the posthearing. I would
14 invite any of the other companies to also put on the record
15 any evidence of attempts that you've made to increase
16 prices, and that those have been hindered or thwarted by
17 purchasers using subject import prices to push back.

18 So if you have any evidence of that that you can
19 put on the record in the posthearing. I know that you did
20 put some of that type of contemporaneous evidence in the
21 prehearing brief, but, to be honest, it's a big confusing
22 and it's not sort of connected up. You know, it's not
23 really clear exactly what we're looking at when you look at
24 that. So if you want to cite to that, it would be helpful if
25 you could explain what exactly are we looking at. You

1 know, put this into context.

2 MS. DRAKE: Thank you, Commissioner. We will do
3 that posthearing.

4 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

5 CHAIRMAN JOHANSON: Commissioner Kearns?

6 COMMISSIONER KEARNS: I wanted to talk about
7 complete systems versus components. Most of the quantity of
8 U.S.-produced steel racks are sold as complete rack sets,
9 whereas most subject imports are sold as components. Why is
10 this the case? And what does it mean for competition?

11 MS. DRAKE: I'll let the witnesses contribute.
12 This is Elizabeth Drake. I think one of the issues is that
13 I believe domestic producers are somewhat reluctant just to
14 sell an upright. They would want to sell the upright and
15 the beam. Because as we spoke about, the beam has a better
16 throughput. And you'll have, you know, many more beams per
17 upright. And so it's important to them to try to gain the
18 benefit of selling that whole complete set.

19 Whereas, if you have importers that are coming in
20 and really just trying to target that beam market, they
21 might have more components than uprights. Uprights are also
22 a little bit more unwieldy to import, though there are of
23 course uprights being imported as well.

24 Maybe some of our witnesses can talk about, over
25 the time period I believe there were a number of instances

1 where there were increasing orders that they received just
2 for uprights. So their customer is basically saying I don't
3 want your beams anymore. And that is not a viable situation
4 for domestic producers because they need to produce both to
5 have a good throughput.

6 MR. ANDERSON: Jay Anderson with Steel King. In
7 our case, for liability purposes we're very reluctant to
8 sell just one component, knowing that if we do that then
9 they will be intermingling different manufacturers' products
10 and we have no control over the quality of the design or
11 manufacture of other manufacturers. So we really resist
12 that pretty vigorously in our case.

13 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
14 We talked about projects versus components. You know, we're
15 competing and building to order on the project side. The
16 commodity component type business again is an area where we
17 really don't have control in our case because we're sending
18 truckloads of beams, and truckloads of frames to stocking
19 distributors. And we're not privy to stocking distributor
20 that may be selling a lot of beams to one customer, and
21 frames to another. That's his operation, selling out of his
22 warehouse. So it's hard for us, for our company, to
23 differentiate that because we're selling, if you will,
24 truckloads of frames and beams in all cases.

25 And to dovetail into Mr. Anderson's statement,

1 our company likewise is on the watch-out for frame-only or
2 beam-only type orders because we discourage the mixing of
3 products for liability reasons, and capacity reasons on
4 frames because you don't ultimately know what the true
5 capacity of one manufacturer's component fitting in with
6 another manufacturer's component. The tolerances, the types
7 of rivets and connections that they use directly impact the
8 rated capacity of that system. And that can become a
9 liability issue.

10 COMMISSIONER KEARNS: That's a good lead-in to my
11 next question. Are complete rack sets synonymous with
12 custom projects? Or are there a lot of commodity type sales
13 that take the form of complete sets?

14 I think what I'm hearing, especially from you,
15 Mr. Anderson, is that your sets are still the commodity-type
16 of thing. This isn't just like special engineering
17 projects. Because I think otherwise you might look at these
18 tables that we have, and it seems like the U.S. producers
19 make the custom high-end engineered systems, whereas the
20 imports are mostly the commodity and there's not that much
21 overlap for competition. But is that not the case? Are
22 your sets often commodity type of systems, as well?

23 MR. ANDERSON: Jay Anderson. Yes, we do a
24 substantial number of orders where it's complete sets of
25 standard product. We do custom-engineered work, and then we

1 do a lot of orders that are just plain frame-and-beam jobs.

2 MR. BISHOP: Can you please get closer to your
3 microphone?

4 MR. ANDERSON: I'm sorry. We do a mixture of
5 engineered jobs, and we also do a lot of orders of what we
6 call standard orders where they're complete sets of very
7 commodity-like upright frames and beams.

8 COMMISSIONER KEARNS: Okay.

9 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
10 I concur with that completely. While we were talking about
11 projects, engineered projects, large-scale projects that
12 we're manufacturing and shipping direct, many, many of
13 those--I can't put a percentage on it--but a fairly high
14 percentage of those projects are using those same commodity
15 size components.

16 For example, the most common horizontal beam in
17 the market is an 8-foot-long beam shelf that can hold a 2500
18 pound pallets, or a 5,000-pound shelf capacity. A Walmart
19 distribution center, or an Amazon distribution center is
20 using those same types of components that our stocking
21 distributors are sending out to small manufacturers each and
22 every day. So, yes, they exist heavily in both arenas.

23 COMMISSIONER KEARNS: Okay. And just to wrap
24 that up, are the subject import components generally just
25 sold as replacement parts to existing systems? Or are they

1 really--and I know to some extent your distributors are
2 better able to answer this question than you are--but is
3 that the case? Or are they really just selling parts to a
4 new project?

5 MR. QUIST: Eric Quist with Speedrack. I'd say
6 the majority of them are to a new project, especially from
7 the distributor. And I have to concur with them that we
8 sell a lot of standard products to many customers, and what
9 I had saw was that I was seeing just upright-only orders,
10 knowing that they were buying the beams from somewhere. And
11 that's when we got involved in this.

12 So, yeah, we do sell complete standard components
13 to a project.

14 COMMISSIONER KEARNS: Okay, great. Thank you. I
15 wanted to talk about interim 2019, our data there. You
16 argue that subject imports sold from inventory magnified the
17 impact of the reduced volume of imports in interim 2019.

18 Are you referring to inventories held by
19 importers, or by distributors? Or, I guess maybe from what
20 you've said before, it's one and the same?

21 MS. DRAKE: The only data we have is importer
22 inventories, so I think that's what we referred to in our
23 brief. But certainly there would be additional inventories
24 that could be held by distributors, but I don't think we
25 have good data on what that was in 2019.

1 COMMISSIONER KEARNS: Okay. But with respect to
2 importers, our data do not show a draw-down of importer
3 inventories between the end of 2018 and the end of interim
4 2019. Do you have any thoughts on that?

5 MS. DRAKE: Maybe I'll have to look at that
6 post-hearing, okay?

7 COMMISSIONER KEARNS: Okay, thank you. Staying
8 with the subject of interim 2019 and financial performance,
9 the industries' unit cost of goods sold increased steadily
10 from 2016 to 2018, and it was higher in interim 2019 than in
11 interim 2018. Why were your costs increasing interim 2019
12 even as steel prices were declining? Was it due to
13 higher-priced inventory as respondents suggest?

14 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
15 In our company's case, and I suspect it's the case for most
16 of the members of our coalition, our steel inventories, the
17 steel that we're shipping in First Quarter 2019, the lion's
18 share of that steel was purchased at the end of 2018, so
19 there's a lag effect that occurs in realizing the lower cost
20 steels that we're currently seeing the marketplace, we don't
21 buy steel on a spot market as a general rule, so that's one
22 of the reasons in our case that you see that phenomena.

23 COMMISSIONER KEARNS: Is that true for others as
24 well?

25 MR. ANDERSON: Jay Anderson with Steel King. We

1 would generally cover about a quarters' worth of material on
2 blanket orders and then buy spot for things we didn't
3 anticipate or are out of the normal purchasing/sales
4 patterns.

5 COMMISSIONER KEARNS: Okay, thank you.

6 MR. NEAL: This is Paul Neal from UNARCO. It
7 would be a big exception for us to buy on a spot market
8 basis. It would be just to fill a slight hole. We buy all
9 our stuff in advance and similar to Ridg-U-Rak.

10 COMMISSIONER KEARNS: Okay, thank you. One other
11 quick question here. Again, on financial performance,
12 respondent argues that the domestic industries' financial
13 results were skewed downward by the performance of a
14 particular U.S. producer. Could you respond to this point
15 now or in your post-hearing brief?

16 MS. DRAKE: Thank you, Commissioner. We'll
17 respond post-hearing.

18 COMMISSIONER KEARNS: Okay, great. Thank you
19 very much.

20 CHAIRMAN JOHANSON: I also have a question
21 regarding the COGS to net sale ratio, which was something
22 which was raised by Commissioner Kearns. The COGS to net
23 sale ratio increased in comparing interim 2019 to interim
24 2018, yet the subject import volume declined, as shown at
25 Table C-1 of the staff report. How does this support a

1 finding of price suppression by reason of subject imports?

2 MS. DRAKE: Thank you, Chairman Johanson. We
3 believe that the market in the first quarter of 2019
4 continued to be adversely affected by subject imports, even
5 though the absolute volume of those imports went down. We
6 think part of that is due to continued inventories being
7 present in the market, which would continue to affect
8 prices, even as unit COGS continued to rise due to some of
9 the lag in the steel costs that was discussed.

10 As Mr. Young testified, the customer that he had
11 to make a deeper price concession to, still is not going to
12 allow him to restore pricing until the final results of this
13 case. So there continue to be uncertainty in the market.
14 There continue to be adverse effects of imports and import
15 inventories, even though the absolute volume of imports went
16 down.

17 CHAIRMAN JOHANSON: Thanks, Ms. Drake. And
18 continuing the post-petition period, could you all please
19 explain in any post-petition effects the domestic industry
20 has experienced? And to what extent should we discount any
21 interim 2019 data in your view?

22 MS. DRAKE: I believe most of the examples that
23 the witnesses have told us about in terms of positive
24 effects, customers returning, things of that nature,
25 happened after the end of the Commission's POI here, after

1 the anti-dumping prelim in March of 2019, in terms of seeing
2 improvements.

3 And so, again, while the Commission should
4 continue to find that the volume was significant, even
5 though it went down after the petitions were filed, we think
6 that even that lower volume of imports continued to have
7 negative impacts on the market. And we do think that that
8 change in volume can be attributed to the petitioners.

9 There's some BPI information concerning the
10 behavior of a particular importer after the petitions were
11 filed that we think accounts for a lot of the decline in
12 apparent imports during that first quarter.

13 MR. QUIST: Eric Quist with Speedrack. Yes,
14 we've seen customers come back and -- going back again to my
15 testimony that we're not seeing the upright only orders
16 again. We're seeing a good blend and a good mix of beams
17 and uprights on the orders in any quotes. And the dealers
18 that are stocking, they're returning and buying those basic
19 96" beams, again, in high volume.

20 CHAIRMAN JOHANSON: All right, thanks for your
21 responses. Earlier today, respondent counsel brought the
22 issue of changes in the scope of the investigation.
23 Commerce modified the scope of these investigations since
24 the preliminary determinations. What were the most
25 important modifications to scope and why were they sought

1 and made?

2 MS. DRAKE: Thank you, Chairman. The scope
3 created a lot of confusion for everyone. And I think we
4 always knew what we thought the subject imports were, which
5 was the large industrial steel storage racks, and the
6 challenge was finding physical characteristics that could
7 differentiate the steel racks of interest from other types
8 of racks, like wire, garment racks or a rack you might see,
9 you know, at a Sears holding clothes, or log racks or tire
10 -- there're all kinds of racks that I never knew about that
11 I got to learn about with importers filing a scope
12 clarification requests.

13 And the reason there were so many revisions is
14 because we really wanted to make sure that the language was
15 written in a way where it's based solely on the physical
16 characteristics and could fully distinguish the subject
17 steel racks from racks that were never of interest to us in
18 these cases. And so we ended up, both adopting or creating
19 exclusion language in response to requests from imports and
20 in response to requests from Commerce, we defined some basic
21 parameters in terms of dimensions, height, etcetera, that
22 define what are the covered steel racks.

23 So we think that both of those combined helped to
24 clarify the scope. But we don't believe that those changes
25 in scope alone can fully explain why we have such higher

1 volumes reported at Commerce than we have reported here to
2 the Commission. Because, honestly, those were, you know,
3 thinner, smaller kind of gauge things. We weren't excluding
4 larger products. We were excluding smaller, lighter
5 products. And so, again, we will try to work through that
6 post-hearing to respond to the argument made this morning
7 that the difference is solely due to changes to the scope.

8 CHAIRMAN JOHANSON: Thanks, Ms. Drake. I look
9 forward to seeing that. And something struck me very early
10 on when I began preparing for this hearing, and that was
11 that you all argue that the rate of demand growth is slowing
12 for steel racks, which I found somewhat surprising, given
13 the growth of e-commerce and the continued growth of
14 e-commerce. Why do you all contend that growth is slowing
15 down and will continue to slow down?

16 MS. DRAKE: Excuse me, Chairman. Part of the
17 reason is that there -- what information is publicly
18 available to us shows that the rate of growth is projected
19 to slow in 2019 because the rate of expansion of new
20 warehouses and fulfillment and distribution centers is
21 projected to slow, so 2018 really had a larger growth in
22 what is projected in 2019, and then as our witnesses
23 testified what they as an industry is projecting, that
24 demand will actually contract in 2020.

25 So, even though e-commerce is likely to continue

1 growing, it may just be, you know, in the part of the growth
2 cycle that we were in, the real height of it was 2018 and
3 then you also have some things that are reducing demand in
4 terms of whether there's gonna be a economic slowdown in
5 2020 or whether you have the reduction of kind of
6 brick-and-mortar stores that may be using those in some of
7 their shop floors.

8 CHAIRMAN JOHANSON: Yeah, I'm a little confused
9 on this, because respondents describe the domestic
10 industries' overall condition as strong and steady and
11 states that the future for this industry is bright. This is
12 argued at Page 29 of their brief. Considering your
13 contention is growth is slowing down, can you -- are there
14 any industry publications which would state this? I don't
15 recall from your brief, but if there are any, I'd appreciate
16 it if you could get them to us.

17 MS. DRAKE: We will, Chairman, there was a
18 Deloitte study on projections in terms of warehouse
19 construction that showed that they were projecting that to
20 slow. There's some --

21 CHAIRMAN JOHANSON: And that was mentioned in
22 your brief?

23 MS. DRAKE: Yes. But we --

24 CHAIRMAN JOHANSON: Okay, I apologize for not
25 remembering.

1 MS. DRAKE: We can look for additional sources to
2 include their -- I'm afraid that any information they have
3 as an industry association is confidential, but we will look
4 for some public sources.

5 CHAIRMAN JOHANSON: Okay, thanks, Ms. Drake. And
6 there's another issue that was raised by the respondents and
7 I wanted you all to perhaps provide some clarification for
8 this. They wrote at some length about the certification
9 process and how that is important. What is the
10 certification process for steel racks? And what role should
11 supplier certification play in our consideration of this
12 case?

13 MR. OLSON: The certification process that is
14 used in our industry is handled through the Rack
15 Manufacturers Institute, which we are all active members and
16 they provide a certification process. It basically
17 certifies that your load capacities that you rate your
18 products for in the calculation process are done in
19 accordance with the Rack Manufacturers Institute
20 specifications.

21 Basically, the process for getting certified is
22 if the company wants to be certified, they submit their
23 calculations and test data to demonstrate that they engineer
24 their systems in accordance with the specification. It's
25 reviewed by independent engineers and ultimately, if it

1 follows the guidelines of the specifications, then they get
2 certified. It's called a R-Mark certification.

3 CHAIRMAN JOHANSON: Would the certification
4 process play any role in this investigation?

5 MS. DRAKE: Chairman, we don't believe so. My
6 understanding is, any manufacturer is eligible to get the
7 R-Mark, even if they're not members of the RMI and even
8 there are foreign producers that are members of the RMI and
9 also I believe in the Commission's staff report, while most
10 purchasers say they do require certification, I think there
11 was only one instance where a supplier wasn't able to be
12 certified. So I think it's a very standard process that's
13 well-understood in the industry and wouldn't in any way
14 attenuate competition or affect the ability of Chinese
15 producers to compete.

16 CHAIRMAN JOHANSON: And just to clarify, I assume
17 that any purchaser would demand that this product be
18 certified?

19 MR. OLSON: Dave Olson, Ridg-U-Rak. While that
20 may be the case, there's many small operations throughout
21 the United States that perhaps aren't even aware of the
22 certification and don't have it in their bid specifications
23 or their requirements. Most of your large-scale projects,
24 that's an expectation to have the certification. But a lot
25 of the day-to-day business, I don't think the general

1 public's aware of that requirement to that level of detail.

2 CHAIRMAN JOHANSON: Okay, yeah, my staff and I
3 were discussing this yesterday, and just the liability. And
4 these racks hold a lot of weight and walking around some of
5 these big box stores, it has occurred to me that, I hope
6 there's not an earthquake, 'cuz it could be awfully
7 dangerous. I would expect that any sizeable purchaser would
8 expect that these be certified.

9 MR. OLSON: That's correct, Commissioner.

10 CHAIRMAN JOHANSON: Okay, thanks for your
11 responses. Commissioner Williamson.

12 COMMISSIONER WILLIAMSON: Thank you. Just
13 following up on that -- are certifications renewed or
14 reviewed periodically? And if someone lost their
15 certification, how usually could it be regained?

16 MR. ANDERSON: This is Jay Anderson. I'm not
17 aware of anybody having their certification revoked per se.
18 I believe we have had to resubmit the certain cases when the
19 specification changed and required some testing, we had to
20 have testing done on our products and updated to the newest
21 version of the specification.

22 MR. OLSON: And this is Dave Olson with
23 Ridg-U-Rak. Currently there's not a process for
24 recertification or requirement to be recertified. It's been
25 discussed, I will say, in our trade meetings and things like

1 that I can share with you. But I'm, likewise, not aware of
2 anybody who's received certification having lost it or
3 having it be revoked for any reason at this point.

4 COMMISSIONER WILLIAMSON: Okay, thank you. Okay,
5 please discuss the territorial limitations mentioned by UMH
6 at Page 30 of its prehearing brief and at Pages 2-10 and
7 2-26 of the prehearing staff report. I don't know if you
8 wanna do that now or post-hearing, but --

9 MS. DRAKE: If you don't mind, Commissioner, can
10 we answer that post-hearing?

11 COMMISSIONER WILLIAMSON: Okay. And also, are
12 there distributors that the industry has refused to supply?
13 This is raised at 2-10 of the staff report.

14 MS. DRAKE: I believe there are certain cases in
15 which a producer will have a preferred distributor within a
16 certain region which is not an unusual situation, but there
17 are other producers that will have multiple distributors
18 within a region and, even if they do have a preferred
19 distributor within a region, anyone can go to that
20 distributor. It's not like their product is inaccessible,
21 but maybe witnesses can add to that.

22 MR. NEAL: This is Paul Neal with UNARCO. We
23 have a dealer network that covers various territories, and
24 if a non-UNARCO dealer came to us wanting to buy product, we
25 would essentially give that to our UNARCO dealer in that

1 area, and they would serve that other dealer in that
2 fashion. So we don't refuse anyone any product. We
3 basically refer them to the dealer that covers that
4 territory.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. OLSON: Dave Olson with Ridg-U-Rak. Similar
7 to Mr. Neal's statement, maybe one difference is that many
8 of our distributors are fairly large-scale material-handling
9 houses. They're selling forklifts and many--what we refer
10 to as allied products related--to material-handling and
11 storage.

12 And their reach is quite large in some cases.
13 These are large forklift houses or large material-handling
14 dealers that are selling close to a national basis in most
15 cases. And then you have smaller regional, small
16 material-handling operations and distributors that sell into
17 very regional, local markets, and they've got strong
18 relationships with manufacturers and warehouse operators in
19 their territory.

20 They can serve them, they can drive over to their
21 facility and provide quotations very quickly. So you kind
22 of have the full gamut of different types of reach. But
23 there certainly is no boundaries that we impose on any of
24 our distributors as to where they can sell or not sell.

25 COMMISSIONER WILLIAMSON: Thank you. A major

1 importer of subject merchandise has reportedly left the
2 market. Will that effect the volume of subject imports in
3 the imminent future?

4 MS. DRAKE: Thank you, Commissioner Williamson,
5 Elizabeth Drake. It certainly appears to have affected it
6 in the first quarter of 2019, but there's no reason that
7 other importers couldn't rapidly substitute for that volume
8 if the temporary relief that's currently in place were to
9 disappear, and I think that's clear.

10 And if you look at the import data with some of
11 the other large importers, how quickly they were able to
12 ramp up and that certainly could happen again, if orders are
13 not imposed here, despite the exit of that one importer.

14 COMMISSIONER WILLIAMSON: Okay, thank you. Just
15 one last question. We see it so often that you have direct
16 imports, particularly from the big boxes and stuff,
17 companies like that. We don't see that or any discussion of
18 that in this industry and I was just wondering why that's
19 the -- is there a reason why that's the case? We don't see
20 the end user being the direct importer.

21 MS. DRAKE: I'm not sure, Commissioner, it might
22 be partially the structure of the industry. It's
23 traditionally worked through distributors, rather than, say
24 a Walmart importing the steel racks. But it is more
25 one-step removed than the end user being the direct

1 importer, but maybe witnesses have some light to shed on
2 that.

3 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
4 I think the reason behind that is, is most of these large
5 companies, their staff just don't have the experience or the
6 knowledge to specify and determine, okay, I know what I
7 wanna go buy, I'm gonna go buy it and import it overseas.
8 So they reach out to an expert, a material-handling
9 distributor or, in some cases, the manufacturer itself, for
10 that expertise, to help them develop a solution that meets
11 their needs.

12 COMMISSIONER WILLIAMSON: I know that I wanna put
13 in my warehouse and what I want to distribute, but I let
14 somebody else build it?

15 MR. OLSON: Yeah, I think it's much like, rack
16 systems in a warehouse aren't like going out and buying a
17 widget, you know, the same widget that I can buy in
18 Catalogue A, Catalogue B, it's much more complex than that,
19 and I think that's a big reason behind that, sir.

20 COMMISSIONER WILLIAMSON: Okay, thank you. Good.
21 Thank you for those answers.

22 CHAIRMAN JOHANSON: Commissioner Broadbent.

23 COMMISSIONER BROADBENT: Yeah, I just had a
24 couple of last questions here. This is kind of a bit of a
25 rephrase from question you've already answered, but this is

1 for Ms. Drake. How can we separate the post-petition effect
2 from the effects of the Section 301 tariffs? If the volume
3 of the subject imports was low in 2019 as a result of the
4 Section 301 tariffs, can we place less weight on this data
5 within our injury analysis?

6 MS. DRAKE: Thank you, Commissioner Broadbent.
7 It may be somewhat difficult to precisely quantify how much
8 of the impact is due to Section 301 versus the filing of the
9 petition. There are some confidential statements on the
10 record that we can talk about post-hearing.

11 In terms of the impact that the petitions had,
12 and I think the fact that the preliminary countervailing
13 duty rates were, in most cases, so much higher than the
14 Section 301 duties, weighs in favor of finding that the
15 petitioners in the preliminary determination in December did
16 have an appreciable effect on the market and therefore,
17 there should be less weight on the volume trends in the
18 interim period.

19 COMMISSIONER BROADBENT: Okay. Ms. Drake, does
20 the apparent uptick in subject import prices starting in Q4
21 2018 represent the effects of these petitions or the effects
22 of the 301 tariffs, and that's sort of the same question.

23 Okay, sorry about that. And finally, for the
24 industry witness, Interlake was identified as a price leader
25 for steel apps by four purchasers. How does Interlake's

1 pricing compare with other sources in the U.S. market?

2 MR. NEAL: This is Paul Neal with UNARCO.

3 Interlake Mecalux concentrates a lot of their activities on
4 the more standardized commoditized products that we're
5 talking about coming from China, so that is one reason they
6 would be a price leader, so to speak, of the domestic
7 manufacturers. They concentrate on that most standard type
8 product as well, and don't get involved in a more customized
9 solutions.

10 COMMISSIONER BROADBENT: Okay. Ms. Drake, as
11 subject imports exited the market in interim 2019, the
12 industries' COGS to net sales ratio continued to increase.
13 Was there price suppression in interim 2019?

14 MS. DRAKE: Thank you, Commissioner Broadbent.
15 We believe there was some continued price suppression in
16 2019, even though the volume of new imports declined, we
17 believe that any inventories that were built up, either up
18 at importers or at distributors of product from China, could
19 continue to be sold at low prices and therefore continue to
20 prevent the domestic industry from passing on costs that
21 actually still continue to increase, given the lag in the
22 purchasing of the steel, and so it's 2018 steel being sold
23 as racks in 2019.

24 COMMISSIONER BROADBENT: So this would be right.
25 The domestic industries' gross income and operating income

1 declined in interim in 2019? Okay. All right. Well, that
2 concludes my questions, and I wanna thank the witnesses for
3 being here, I appreciate it.

4 CHAIRMAN JOHANSON: Commissioner Schmidlein?
5 Commissioner Kearns?

6 COMMISSIONER KEARNS: Just one last question.
7 About your prices and whether or not they include
8 installation, do quoted prices typically include
9 installation? And do sellers of steel racks typically
10 perform the installation, or is it usually done by a third
11 party?

12 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
13 It depends on the project. If our client -- it may be a
14 distributor, it may be an end user -- requests a quotation
15 for install, we'll include that, but it's usually a
16 separate, completely separate line item. It's not part of
17 the material quote. It's a separate line item for the
18 installation of that product.

19 Many material-handling distributors handle their
20 own installations. I would say the lion's share of our
21 distributors request a quote for material and freight only,
22 and that they handle their own installation. There's quite
23 a large number of subcontractor installers around the
24 country that serve the needs to manufacturers, as well as
25 distributors and even end users in some cases.

1 COMMISSIONER KEARNS: Okay, anyone else?

2 MR. ANDERSON: Jay Anderson, Steel King. We do
3 not provide directly installation on any of our racking
4 systems. The times we do get involved tend to be the large
5 or more engineered projects where the customer wants a
6 package price and we will give them a price on that, but
7 it's subcontracted as a separate line item. Majority of the
8 number of sales that we do would be going through dealers or
9 distributors and they are usually handling their own
10 installation and presumably quoting it separately.

11 COMMISSIONER KEARNS: Okay, thank you. Anyone
12 else?

13 MR. OLSON: Yes, and if I could, this is Dave
14 Olson, just to clarify. We do not employ installers in our
15 company. We subcontract that, so when we're asked to quote
16 an installation for a project, that's a subcontracted
17 portion of our quotation, just to clarify. Thank you.

18 MR. YOUNG: Ryan Young with Husky. We don't get
19 involved in installations at all. It's always either the
20 distributor or another third party.

21 COMMISSIONER KEARNS: Okay.

22 MR. QUIST: This is Eric Quist with Speedrack.
23 We handle it just as Mr. Young and Mr. Olson mentioned.
24 That we subcontract that on a separate line item.

25 COMMISSIONER KEARNS: Okay.

1 MR. NEAL: Paul Neal with UNARCO. The same for
2 us. It would be a separate line item.

3 COMMISSIONER KEARNS: Okay, great. And just one
4 follow-up there. Mr. Anderson, you mentioned engineering.
5 Are engineering costs also included in the price, or is that
6 a separate line item as well? How does that work?

7 MR. NEAL: This is Paul Neal with UNARCO. As far
8 as we're concerned, we price that separately as well. That
9 is a separate line item outside of the material costs.

10 MR. ANDERSON: Jay Anderson with Steel King.
11 When we have engineering costs such as stamped calculations
12 and drawings required for a building permit, that would be a
13 separate line item. But we obviously has some internal
14 engineering costs in developing products and such, that's
15 kind of buried and not a line item.

16 COMMISSIONER KEARNS: Anybody have any different
17 answers from those? Okay.

18 MR. OLSON: This is Dave Olson. Just to clarify,
19 I think the difference between engineering and professional
20 engineering services is where the -- usually we add a
21 separate line item for professional engineering services,
22 because most manufacturers don't provide PE stamps in every
23 state in the country, so we do quote those as a separate
24 line item.

25 But our design engineering services, where we

1 develop the capacities of our products and we develop the
2 design for a project, that's included in our overhead
3 structure and included in our pricing as a general rule.
4 It's not a separate line item in that case.

5 COMMISSIONER KEARNS: Okay, very good. Thank
6 you. I have no further questions.

7 CHAIRMAN JOHANSON: I have just one question.
8 And this relates to a question that was asked earlier, but I
9 wanted to get into it just a little bit more. Respondents
10 noted that ten out of twenty-six purchasers reported supply
11 constraints during the period of investigation. And this is
12 seen to Page 17 of their brief and also Page 29 of the staff
13 report. Could you all please discuss a bit further as to
14 whether or not the domestic industry has had difficulty
15 supplying customers?

16 MR. YOUNG: This is Ryan Young with Husky. I can
17 tell you throughout the period of investigation and before
18 are, as far as the commoditized products we're talking about
19 with this subject imports are Quick Ship lead time, never
20 came off forty-eight hours. It was always the same.

21 CHAIRMAN JOHANSON: So is the staff report just
22 not right? The staff report states that almost one out of
23 three purchasers experienced supply constraints.

24 MR. ANDERSON: Jay Anderson with Steel King. I
25 think I mentioned in my testimony that we did have major

1 expansion of our plant in 2016 and we have not been able to
2 sell everything we're technically capable of making, so
3 while maybe our lead times ebb and flow over time, we still
4 would like to be doing more than what we're doing right now.

5 MR. OLSON: This is Dave Olson with Ridg-U-Rak.
6 I think, as stated earlier, I think, I don't know if there
7 was misunderstanding, but we've had no problems with our
8 stocking distributors receiving their products, because we
9 preschedule all of their production slots to provide those
10 commodity products to them. The only constraint that I've
11 ever heard from any of our stocking distributors is price.
12 Thank you.

13 CHAIRMAN JOHANSON: Okay, thanks for your
14 responses. That concludes my questions. Do any other
15 Commissioners have questions for the panel? No
16 Commissioners do. Do staff have any questions for this
17 panel?

18 MR. BORISSON: Thank you, Mr. Chairman. This is
19 Stamen Borisson, Office of Investigations. Staff does have
20 one question.

21 CHAIRMAN JOHANSON: All right.

22 MR. TSUJI: Good afternoon. I'm Karl Tsuji, the
23 Industry Analyst. Actually I have a question in two parts,
24 related to the Australian anti-dumping investigation on what
25 they refer to as steel pallet racking. In your post-hearing

1 brief, please provide any comments about the degree of
2 overlap between the subject product in the Australian
3 investigation and the subject product in this investigation.
4 That's the first part.

5 Second part is, please also in your post-hearing
6 briefs, provide any information about other ongoing
7 anti-dumping, countervailing duty investigations or orders
8 on steel racks in third country markets. And my final point
9 is that I will also ask the same question of the responding
10 panel members as well. Thank you very much.

11 MS. DRAKE: Thank you, Mr. Tsuji, we will do so.

12 CHAIRMAN JOHANSON: Do respondents have any
13 questions for this panel?

14 MR. MENEGAZ: Should it be respondent counsel?]:
15 No, we do not at this time. Thank you.

16 CHAIRMAN JOHANSON: All right, thank you. Okay,
17 then, let's now take a break for lunch. So we'll now recess
18 for lunch. Let's return here at 1:15. I would like to
19 remind parties not to leave any confidential business
20 information in the room as the hearing room is not secure.
21 And we'll see you back here at 1:15.

22 (Whereupon, at 12:14 p.m., a lunch recess was had
23 to reconvene at 1:19 p.m.)

24

25

1 AFTERNOON SESSION

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

4 MR. BISHOP: Mr. Chairman, I would note that the
5 Panel on Opposition to the Imposition of Antidumping and
6 countervailing duties have been seated. This panel has 60
7 minutes for their direct testimony.

8 CHAIRMAN JOHANSON: You all may proceed whenever
9 you like.

10 MR. MENEGAZ: Thank you. This is Gregory Menegaz
11 for the Panel in Opposition of the Law Firm Dick, Keefer,
12 Horgan.

13 I'd like to first start by explaining how we
14 organized our afternoon Panel. I'm going to speak first on
15 product coverage and then Bruce Malashevich is going to
16 speak on economic matters followed by Suzanna Perkins.
17 Then, I'm going to finish on the threat argument and our
18 last witness will be Ryan Bartlett of United Material
19 Handling and he will also present the sample products on the
20 table to my right.

21 So with that introduction, I'd like to pick up
22 the issue of product coverage again. As we noted in our
23 opening the Petitioners let off their prehearing brief and
24 this hearing complaining about product coverage and we
25 believe that their concerns are largely overblown.

1 As for the Exporters' coverage, the Petitioners
2 put on luminous exhibits in their brief with respect to
3 participation of Chinese exporters in the antidumping and
4 countervailing duty investigations. However, the pleadings
5 that the Petitioners rely on for evidence were due very
6 early in those investigations when the scope of the
7 investigations was very uncertain.

8 Petitioners changed the scope of the
9 investigations five times leading up to the preliminary
10 determinations of the Commerce Department and after the
11 preliminary determination of the ITC. So we're looking at a
12 very different scope and all those events were summarized in
13 the department scope memoranda which we would be glad to put
14 on the record in the post hearing brief.

15 But that was February of 2019. So, that was a
16 long time ago and a lot has changed and we believe that's
17 the reason why a lot of companies did not, have responded in
18 the investigations but have not responded in the final phase
19 of the ITC case. Many exporters would have dropped out of
20 the process when their racks were no longer relevant to the
21 case.

22 We would note that at least three mandatory
23 Respondents in the antidumping and countervailing duty cases
24 and we can make this all very clear in our post-conference
25 brief, posthearing brief, were fully investigated only for

1 the Commerce Department to conclude in both the
2 countervailing dumping cases that they were not selling
3 scope merchandise.

4 For the two mandatory Respondents that chose not
5 to cooperate in the antidumping and countervailing duty
6 cases that were ranked above them, these replacement
7 mandatories that were found not to be selling scope, that
8 means the next highest level exporters were found not to be
9 selling scope merchandise.

10 For Fwaday and Kingmore we've secured their
11 cooperation before the ITC. So we think you have full
12 export coverage or almost full export coverage here. You
13 know, to pick up a little bit of what was said in the
14 morning Panel, when you look at those you know many, many
15 responses to the initial questionnaires in Commerce and
16 compare them to the list of RMI certified companies and
17 their RMI website, most of them are not on that list.

18 In the original Staff Conference the Petitioner's
19 witnesses said RMI certification is actually extremely
20 important to be able to compete head-to-head with the
21 Petitioners in this industry. I don't think the ITC really
22 needs to speculate very much about that because there is a
23 robust record here that the ITC can rely on.

24 With respect to the importer coverage, it's a
25 little bit the same thing. It's very difficult to compare

1 importer responses in the preliminary phase of the ITC's
2 investigation to the responses in the final phase because of
3 all the changes in scope. Most of the witnesses at the
4 Staff Conference were concerned that their light duty racks
5 would be covered and they're not here anymore. So
6 obviously they are no longer concerned.

7 There was a point earlier that well that was
8 light duty and it can't account for the weight but obviously
9 if their market for light duty is very large it could easily
10 account for the weight. Just because an individual rack
11 might be lighter duty than these racks doesn't mean that a
12 huge quantity of potential merchandise did not leave this
13 market when the scope changed.

14 So, we just think that there is a reasonable and
15 maybe higher than average participation by exporters and
16 importers and the Staff wrote a robust report that can be
17 relied on for the final phase. With that, I'm going to pass
18 this microphone over to Bruce Malashevich. Thank you.

19 STATEMENT OF BRUCE MALASHEVICH

20 MR. MALASHEVICH: Good afternoon, Mr. Chairman.
21 Members of the Commission. I'm Bruce Malashevich President
22 of Economic Consulting Services, LLC and I'm joined by my
23 colleague, Suzanna Perkins the Staff Economist with our firm
24 and who has worked with me together throughout this final
25 phase. I'd like to point out that I

1 listened very carefully to the first Panel this morning and
2 noticed it was basically a regurgitation of their
3 affirmative case in the brief with practically no rebuttal
4 although they had some rather amazing testimony in response
5 to Commissioners' questions that I folded into my testimony
6 here this morning.

7 My impression is that Petitioners' entire case,
8 although not explicitly mentioning the 2015 amendments to
9 the statute is in fact relying upon the so-called "but for"
10 test. In practice, the Commission has invoked this
11 provision in a number of recent final determinations. I
12 read all such determinations and noticed several common
13 threads or tests you might say that emerged from the
14 Commission's reasoning.

15 One is whether the Domestic Industry failed to
16 perform better in an upturn of the relevant business cycle.
17 Another is whether widespread underselling by Subject
18 Imports prevented increases in domestic prices. Another is
19 the capacity utilization rate of the Domestic Industry and
20 its ability to have expanded to production if given the
21 chance. A fourth is the Domestic Industry's financial
22 experience.

23 The facts of record in this case fail each of
24 these "but for" tests. The plain language of the prehearing
25 report, Page 2-12 states "this industry is not driven by a

1 business cycle." So that test is not met. Aggregate
2 apparent consumption rose only modestly over the POI and did
3 not display any cyclical influences.

4 The trend in domestic selling prices, especially
5 those reported for products 1-4 is very positive with the
6 great majority of instances in sales volumes showing
7 overselling by Subject Imports. That test is not met.

8 On the subject of capacity utilization it is
9 instructive to review the prehearing report Table 3-4
10 concerning capacity and production by producers. There are
11 certain anomalies that are called attention to in the
12 Respondents' brief and I was rather amazed when none of the
13 producers testifying this morning could answer a simple
14 question of what they believe a reasonable capacity
15 utilization is.

16 I can answer that for you in a posthearing
17 submission without a problem and it's addressed in
18 Respondents prehearing brief. But the fact that they
19 couldn't even answer the question should tell you something.
20 That test is not met.

21 In comparison with previous cases involving
22 fabricated products with a low level of fixed costs, in
23 aggregate this industry has been doing well with utilization
24 rates at respectable levels. But rates among certain
25 producers were much higher. Collectively, these companies

1 accounted for a large share of total U.S. Production in 2018
2 in an industry with many more players.

3 A sign of capacity stress at some of the most
4 competitive players is sign of scarcity particularly since
5 total capacity increased between 2016 and 2018. They're
6 also institutional constraints on expanding production
7 entirely unrelated to capacity or the presence of Subject
8 Imports.

9 At Page Roman II-X of the prehearing report it
10 reports that Domestic Producers tend to place strict
11 territorial limits on purchasers deemed to compete with
12 established customers in the same region. Such practice
13 obviously constrains the Domestic Industry's available
14 opportunity to expand production sales and so limit its
15 potential to increase capacity utilization.

16 The Domestic Industry's financial condition
17 indicates it is far from vulnerable. As discussed on page
18 35 or Respondents prehearing brief there are certain data
19 issues at play that are having a great impact on the
20 industry's overall profitability. These are discussed
21 necessarily in the APO version of the brief.

22 Our team at ACS plotted the American Metal Market
23 Price Index for hot-rolled steel against the U.S. Producers
24 reported weighted average price series for Product 1, the
25 highest volume product surveyed by the Commission over the

1 POI. Petitioners claim that the domestic prices continue to
2 be suppressed in the later quarters of the POI despite the
3 dramatic decline in imports volume during that period.

4 That claim does not hold water. The reality is
5 that hot-rolled steel continued its sharply downward trend,
6 almost month to month from the middle of 2018 through the
7 first quarter while prices reported for the finished racks
8 to the Commission remained buoyant. This should have been a
9 perfect combination of falling costs and buoyant final
10 prices but it wasn't as found in the Staff Report in the
11 financial section.

12 The only reasonable explanations for this unusual
13 condition shown in the interim 2018 are discussed in
14 Respondents prehearing brief combined with timing effects in
15 recognizing for accounting purposes the sharp decline in
16 hot-rolled prices and accounting conventions affecting the
17 timing of when those declines are recognized for the purpose
18 of reporting financial information and the drawing down of
19 inventory with often the high-priced inventory pulled down
20 less so you have a lag effect between when prices for the
21 hot-rolled steel decline and when the industry benefits from
22 that decline owing to accounting interventions.

23 Now, at the time the Respondents' brief was
24 written the argument in this regard was based on the limited
25 information available and a lot of belief. I found it

1 rather astounding that this morning the domestic Panel
2 testified that basically our argument is right in explaining
3 the behavior of profitability and the lags associated with
4 pulling down high-priced inventory.

5 Indeed, even counsel for Petitioners conceded the
6 truth of that argument so we stand by it. Also in effect
7 was the prospect of the President's 25 percent tariff on
8 imports of racks from China that became reality in May but
9 the prospect was widely floated during the course of the
10 earlier months of that year.

11 Those are the real issues at play in explaining
12 the decline and the volume of Subject Imports in interim
13 2019. Not DOC's preliminary determinations in December for
14 CVDs and in late March for the antidumping segment.

15 A few additional points that arose from the
16 testimony today. There was an extended discussion of what a
17 small market share means. How small is small? The market
18 share reported in the prehearing report, which I have no
19 reason to dispute is small in relation to what I have
20 observed in literally hundreds of Title 7 cases over the
21 years. But that's not the only point.

22 Reasonable people can argue whether that's small
23 or not in any particular industry however my point is a
24 little different. It is small, not only in relation to
25 consumption but in relation to the dominant share of

1 consumption dominated by domestic production. In most cases
2 you hear of consumption as supplied by some varying
3 combination of domestic production, Subject Imports,
4 non-Subject Imports in widely varying proportions.

5 It's not unusual for the Commission to hear cases
6 where the Domestic Industry occupies a minority share of
7 consumption or something not much more than a majority
8 though here it dominates particularly if you add in captive
9 imports from Mexico.

10 The Commission did something similar in a recent
11 case involving PET resin from various countries so it's not
12 unprecedented to add in the captive imports of Domestic
13 Producers, then the dominance is even greater. Details are
14 in the brief, so think about that. It is small not only in
15 absolute terms and truly tiny when considering the market
16 power of the Domestic Industry in the aggregate.

17 I read with interest the argument about level of
18 trade. Look at it this way. As you know, Petitioners have
19 huge amount of latitude and defining the pricing products
20 for a preliminary phase, in investigation typically with few
21 changes, if any made by staff.

22 MR. MALASHEVICH: I looked at the pricing
23 products from the preliminary. There's no distinction for
24 pricing requested as between end users and distributors. If
25 it was important, why was it not requested in the

1 preliminary phase. And the plot thickens, so to speak, in
2 the final phase.

3 As you know, parties have lots of time to comment
4 on draft questionnaires in fashioning the final phase
5 investigation. Well, the only changes made in the final
6 phase to the four products surveyed in the preliminary phase
7 were that the MRI-certification was added, and there were
8 minor changes in dimensions.

9 Once again, there was no request by Petitioners
10 to survey prices by different levels of trade. The fact of
11 the matter is that there are none in this case. And I am
12 prepared to spend in less than one page postconference,
13 through reliance on the existing record as it is, to prove
14 that point. So I think I rest my case on the issue of level
15 of trade.

16 Let me just take a moment to look at my notes
17 here.

18 (Pause.)

19 I think that concludes my testimony, but I'll be
20 happy to answer any questions. Thank you.

21 STATEMENT OF SUSANNAH PERKINS

22 MS. PERKINS: Good afternoon, Commissioners, Chairman--
23 Mr. Chairman, and staff. My name is Susannah Perkins and I
24 am a staff economist at Economic Consulting Services. I
25 will be testifying to price effects, falling effects, and

1 impact today.

2 This is a case primarily about causation.
3 Subject imports have not been a material cause of injury to
4 the domestic industry because domestic performance does not
5 correlate with subject import volumes or prices. If there
6 is no correlation, there can be no causation.

7 In framing a discussion of price effects, we need
8 to first establish that, contrary to Petitioners' claims,
9 competition in this industry is not primarily price based.
10 Table II-8 of the Staff Report shows that more purchasers
11 list quality, availability, delivery time, product
12 consistency, and reliability of supply as very important
13 than list price, with 96 percent of responding purchasers
14 stating delivery time is very important.

15 The record of this investigation shows that in
16 this key metric, subject product far outperforms domestic.
17 Page II-14 of the Staff Report shows that 73 percent of
18 domestic shipments are produced to order, which averages 50
19 days of lead time, while 89 percent of subject imports
20 average only 8 days of lead time as they are shipped out of
21 inventories.

22 This morning's panel can attempt to obfuscate the
23 facts, but the record stands. When 25 out of 26 responding
24 purchasers are saying that lead time is very important, and
25 the subject product is head and shoulders above domestic in

1 that regard, you can see how one of those options is much
2 more attractive to purchasers without any consideration of
3 price.

4 Any minute shift in market share that may be
5 observed in the data cannot be attributed to price-based
6 competition but to the domestic industry's inability to
7 provide its customers with product in a timely manner.

8 There's no credible evidence of price depression,
9 as domestic prices have increased in every way the
10 Commission measures. U.S. shipment AUVs are up. Pricing
11 product AUVs are up. And net sales AUVs are up. Especially
12 significant are the trends in the pricing products, as the
13 very products chosen by Petitioners to supposedly show the
14 most aggressive head-to-head competition with subject
15 imports show increasing prices across the board. And this
16 can be seen at Tables V-3 to V-6 of the Staff Report.

17 There's also no evidence of price suppression by
18 reason of subject imports. It's clear from Table VI-1 that
19 domestic producers experienced drastically increasing raw
20 material costs, coinciding with the 252 tariffs, and
21 increased their own prices in response to this.

22 The reason domestic producers were unable to pass
23 along more of the increase was the unprecedented speed at
24 which the price for hot-rolled coil increased. Looking at
25 Exhibit 5 to UMH's brief, you can see what would have

1 happened to the operating margin if the domestic industry
2 had--pardon me--the operating margin of the domestic
3 industry if the cost of raw materials and the net sales AUV
4 both maintained their Q-1 levels throughout 2018.

5 Assuming no other changes to the industry, we
6 would have seen essentially the same performance in 2018 as
7 in 2016 just based on those two unit values not changing.
8 This is further supported by the industry's interim period
9 performance.

10 We see imports falling dramatically out of the
11 market in interim 2019, but the domestic industry's
12 performance continues to decline.

13 Now Petitioners can argue that this change in
14 volume was due to the effect of the Petition and preliminary
15 duties, but we submit that for an analysis of price effects
16 or impact it doesn't matter why the import volume fell if
17 the industry did not see relief. If imports are leaving the
18 market and the domestic industry is not recovering, it
19 undermines the claim that imports were impacting the
20 industry in the first place.

21 In Table V-8 of the Staff Report, we see majority
22 overselling by subject imports, with an average overselling
23 margin of 19.5 percent, and over 12 million pounds of
24 subject product overselling domestic. This translates to
25 overselling in 28 out of 48 instances, and 62 percent

1 overselling by quantity.

2 I would also like to point out how Petitioner's
3 counsel has taken statements from a questionnaire that
4 clearly referenced specific issues or tables other than the
5 price data and misconstrue them as applying to pricing data.
6 See pages 13 to 14 of Petitioner's prehearing brief. We can
7 and will address these serious misrepresentations of the
8 record in our posthearing submission.

9 Nonetheless, the record of this investigation
10 indicates that the Commission staff has done diligent work
11 verifying the data provided in the questionnaire responses
12 and have in fact removed aberrational data from the
13 aggregation where appropriate. Respondents are very
14 grateful to staff for all their hard work, and we invite the
15 Commission to look at the correspondence between many
16 importers and domestic producers and the ITC staff economist
17 for this case to confirm that.

18 We also see no significant evidence of lost sales
19 or lost revenues. The numbers are BPI, but in our brief at
20 page 28 you can see that as a percent of total reported
21 purchases the amount of product switched on the basis of
22 price is immaterial.

23 Additionally, only 4 out of 26 responding
24 purchasers claims that domestic producer to decrease prices.
25 There are also no appreciable volume effects in this case.

1 Subject imports cannot cause material harm to an established
2 industry when they control such a tiny share of the market,
3 especially considering the dominant share of the domestic
4 industry.

5 The market share we're seeing, and especially the
6 change in market share, is so minuscule that claims of
7 injury by reason of subject imports fall flat. The numbers
8 themselves are BPI, but I think if you'll direct your
9 attention to the shift in the market share between the
10 interim periods compared to the decline in domestic profit
11 margins in the same period--and this is Table C-1--you'll
12 see that what's going on in this industry isn't subject
13 imports. The presence of subject imports is so small that
14 they could not be a material cause of injury.

15 In their brief, Petitioners claim that subject
16 imports are understated without addressing the fact that, as
17 we've mentioned, both domestic and nonsubject imported
18 shipments are also understated, as described at pages VI-7
19 of our prehearing brief.

20 Moreover, the methodology by which they suggest
21 modifying the record is extremely blunt and lacks accuracy.
22 They've pocketed the majority of this discussion, but the
23 table on page 10 of Petitioners' brief demonstrates that.
24 Furthermore, any small change in market share that may be
25 observed in the data in the record are clearly not based on

1 unfair competition.

2 On page II-10 of the Staff Report, we see
3 evidence that purchasers aren't buying from domestic
4 producers for a host of reasons, chiefly lead times and
5 related issues. We also have a purchaser stating, in direct
6 contrast to something that was said this morning, current
7 lead times for U.S.-produced pallet rack are so long that
8 steel racks from China can be manufactured and shipped to
9 the United States faster than it is able to receive delivery
10 from a U.S. producer. End quote. That's a direct quote
11 reproduced in the Staff Report.

12 We also see references on this page and
13 throughout the record to exclusivity arrangements where
14 domestic producers are refusing to sell to purchasers due to
15 geographic limitations or exclusive deals with a competitor,
16 as well as a reference to a domestic producer delivering
17 defective product, on page II-11 of the Staff Report.

18 If the domestic industry is unwilling or unable
19 to deliver useable products to its purchasers, it isn't
20 losing sales. Page II-10 and II-11 of the Report also
21 addressed the fact that a major importer of subject
22 merchandise has exited the market. This means that in order
23 for the producers, this importer had a relationship with to
24 continue exporting to the U.S., they would need to develop
25 new relationships and new business agreements, and possibly

1 go through new certifications. It remains to be seen
2 whether any producer will do this, especially with the 301
3 tariffs in effect that make the U.S. a less attractive
4 export market to China.

5 The domestic industry's volume indicia also
6 aren't showing injury. At Table C-1, we see essentially
7 flat production over the POI, falling by only a percentage
8 point, accompanied by a very slight uptick in shipments.
9 Both production and shipments increased between '17 and '18.

10 We see increasing capacity and a corresponding
11 fall in utilization, but that returns to my earlier point.
12 If the domestic industry is refusing to sell to purchasers,
13 as several of them indicated, it really can't claim that
14 flat sales or declining production are the faults of subject
15 imports. Instead, they are the fault of its own decisions
16 not to make a particular sale.

17 Moreover, almost all of the volume indicators
18 fell between the interim periods, when subject imports were
19 at their lowest market penetration in the entire POI. So
20 there's no correlation to this story, and therefore no sign
21 of negative volume effects by reason of subject imports.

22 Once again, if there's no correlation there can
23 be no causation.

24 I'd like to take a moment before I get to impact
25 to point out that in order for the Commission to accept

1 Petitioner's theory of the case regarding either volume or
2 price, they would have to make significant adjustments to
3 the record of this investigation.

4 First, to exclude an importer from the pricing
5 data in order to manipulate the underselling record, and to
6 make a blanket adjustment to the market share of subject
7 imports when considering volume effects.

8 Turning to impact, first of all the lack of
9 adverse impact is clear in the investment indicators. We
10 see increasing R&D expenditures and increasing assets over
11 the POI, and increasing capital expenditures from '17 to
12 '18.

13 The Commission is aware that capital expenditures
14 can be irregular over time, and the apparent decline from
15 2016 to 2017 is not in fact an indicator of injury, as
16 explained in page 31 of our brief.

17 Moreover, the domestic industry's Cap X to
18 Depreciation Ratio was well over 100 percent in every full
19 year of the POI, indicating that this industry has been
20 easily able to reinvest in its assets as they deplete their
21 average useful life.

22 We also see no impact in the employment
23 indicators. This industry has increasing production-related
24 workers between 2016 and 2018, and between the interim
25 periods, as well as increasing hours worked by PRWs,

1 increasing wages paid to PRWs, and increasing wages per
2 hour.

3 Against this established backdrop, the declining
4 profitability of the industry is something of a surprise.
5 We can see in the variance analysis at Table VI-5 of the
6 Staff Report that essentially all of the decline is caused
7 by increasing COGs, and the more detailed variance analysis
8 presented at Exhibit 7 to our brief proves that this is
9 further driven by raw materials.

10 As evidenced by the American Metal Market data in
11 the Staff Report, and our brief, the price of hot-rolled
12 coil skyrocketed in the latter part of the POI, but has been
13 falling steadily since the summer of 2018.

14 While the record of this investigation indicates
15 that rising raw material costs have negatively impacted the
16 industry's financial performance, there is absolutely no
17 evidence that the decline in domestic industry profitability
18 was in any way, much less a material way, related to subject
19 imports.

20 Profit margins do not correlate with absolute
21 subject import levels, subject import market share, or
22 subject import prices, as is particularly clear between the
23 interim periods. The table at page 34 of our brief lays
24 this out.

25 There was a huge drop-off in subject imports

1 between the interim periods, and yet the domestic industry
2 saw a precipitous fall in profitability. If the decline
3 could at all be attributed to subject imports, import levels
4 and domestic performance should move in opposite directions.
5 This is not the case. Since there is no correlation between
6 subject imports and domestic performance, the necessary
7 causal link for an injury determination is absent.

8 Thank you, and I'm happy to answer any questions.

9

10 MR. MENEGAZ: Okay, thank you, Susannah. This is
11 Gregory Menegaz for the record. I'm going to have a few
12 comments on threat before I hand things over to our witness.

13 As we addressed in pages 36 to 42 of our
14 prehearing brief, the volume of Chinese imports will not
15 threaten the domestic industry in the imminent future. We
16 recognize that volume went up slightly in the calendar
17 years, but the industry as a whole was growing. Chinese
18 imports declined sharply in the interim comparison period,
19 and UMH submits that it is a combination of the fact that
20 North Shore went out of business, and the imposition of the
21 301 tariffs that drove Chinese imports down this way.

22 As you will hear from Mr. Bartlett shortly, the
23 301 tariffs and the overall trade tensions cost him a
24 tremendous number of sales and lost new business. As the
25 prehearing report points out at page II-1 to -2 in the

1 public version, 8 of 9 importers who had knowledge of the
2 import prices since Section 301 tariffs were imposed
3 reported that prices had increased as a result.

4 Pricing trends for POI calendar years in interim
5 2019 demonstrate that AUVs grew throughout the time period,
6 both for domestic products and subject imports. With the
7 majority of overselling of subject imports, there's no
8 indication that the domestic industry will be threatened for
9 the volume of such imports in the imminent future or, for
10 that matter, price suppression or depression.

11 Finally, China has a very robust domestic
12 industry, as well as third-country markets. It is not
13 export oriented. The majority of foreign producer shipments
14 were made in the home market in every period in the POI. We
15 also see high and increasing levels of capacity utilization
16 as reflected in Table VII-3 of the Staff Report, which is
17 projected to continue through 2019 and '20. So we do not
18 see excess or increasing capacity in the most recent
19 calendar year in any projections.

20 Furthermore, this sector is experiencing global
21 robust growth. Therefore, the U.S. industry is not
22 threatened with material injury from China. The Petitioners
23 cited at page 24 and 25 of their prehearing brief a GOC 2013
24 overall policy, but that's a very extremely weak, vague
25 linkage to potential threat.

1 And we were talking this morning about, you know,
2 what are the projections for the industry? And in the
3 prehearing brief the Petitioners included a Wall Street
4 Journal real estate article on the opening of new
5 warehouses, but that's not--you know, there's a tremendous
6 amount of business in refurbishing existing warehouses.
7 And there's industry specific data and reports out there
8 that is available to everybody in this room, and certainly
9 is available to Ryan Bartlett, and he can speak to that,
10 because I'm going to turn the microphone over to him now.

11 Thank you.

12 STATEMENT OF RYAN BARTLETT

13 MR. BARTLETT: Good afternoon, staff--I'm sorry,
14 good afternoon, Commissioners and staff. Thank you for the
15 opportunity to be here today.

16 My name is Ryan Bartlett. I am the President of
17 United Material Handling located in Moreno Valley,
18 California.

19 We hold a large inventory of imported racks from
20 China. By holding a large inventory of common sizes, we can
21 service our customers' needs with an average of eight days.
22 As noted in the staff report on page 2, part 14, our average
23 lead times is eight days, while the Petitioners' are 50
24 days.

25 This is listed by the Petitioners' response to

1 the questionnaire as one of the most important facts while
2 deciding when to purchase racking. The Petitioners fail to
3 understand that customers no longer expect to wait not just
4 for racks but anything they are purchasing, and instead the
5 Petitioners continue to maintain their long lead times,
6 making customers wait and wait.

7 Let's put this in the perspective, since most of
8 you have probably never planned or purchased racking for a
9 distribution center. Let's pretend you are on Amazon and
10 you have two choices for the same product. One is prime,
11 and the other is not eligible for prime. The prime order
12 will get to you in 2 days, and the other non-prime products
13 will take 7 to 10 days. Which are you going to pick? If
14 you're not an Amazon user, consider you are to get work done
15 at your house and one contractor could start in 8 days, and
16 the other in 50 days.

17 The choice is clear on which product or
18 contractor you would pick, because in today's world no
19 customer wants to wait. The data collected by the ITC
20 supports that customers are even willing to pay more for the
21 products to get them quicker, which is shown on part 5, page
22 18, where we are overselling.

23 Recently I have been approached by potential
24 customers who typically buy from the U.S. producers asking
25 for our quote and our lead times, because they are unable to

1 buy from the U.S. producers in a reasonable amount of time.

2 I am aware most U.S. producers have a 12 to 16
3 week lead time currently. Imagine if you had rented a
4 large facility, about to start paying rent on it, and
5 couldn't put racking in it for 3 to 4 months? That would be
6 devastating to your bottom line. Customers are not able to
7 become fully functional and efficient until their storage
8 systems have been installed and they get to utilize them.

9 This isn't just a widget that would fill the
10 shelves, these are the shelves that are needed to store them
11 before you can start selling.

12 In addition to lead times, there are many other
13 factors that are important to purchasers: availability,
14 delivery terms, lead time, discounts offered, product
15 consistency, quality that meets industry standards,
16 reliability of supply, and RMI certification.

17 As much as the Petitioners would like to pretend
18 that this is a price-driven industry, the table on Page 2,
19 page 17, proves that this is not the case.

20 Another big advantage that imported racks from
21 China have is that our frame upright members are bolted
22 instead of welded. This allows our transportation to be
23 more cost effective by being able to ship around three times
24 more material on a truck than the Petitioners who weld their
25 frames and limit their ability to maximize shipping to the

1 customer.

2 As you can see, we have brought samples of all
3 the uprights here are welded and UMH sample is the only
4 bolted one. None of the Petitioners make a bolted-style
5 upright.

6 Another issue in the U.S. producers is they limit
7 their market by restricting to only certain regional
8 distributors who can sell their products, which severely
9 limit their ability to sell through other distributors and
10 gain market share in those areas.

11 For example, one of the U.S. producers designates
12 a distributor in the State of Arizona, only limiting the
13 business in the state to the distributor that everybody
14 knows.

15 The decision to limit their market is a poor
16 business decision that import racks are not responsible for.
17 Other characteristic differences are in the shape of UMH's
18 column that allows for bolted bracing that is optimized with
19 an innovative engineering to require the minimum amount of
20 steel required to obtain desired capacities.

21 The bracing is also engineered to minimize the
22 amount of steel required to hit the desired capacities and
23 allow for maximizing the shipping quantities as much as
24 possible.

25 Interchangeability between the two different

1 manufacturers is possible but not 100 percent. I would
2 guess a vast majority of the different manufacturers'
3 products can be intermixed within the industry using a
4 standard teardrop style racking. There are several
5 different issues that prevent interchangeability like
6 tolerances on the punches of the teardrops, connectors not
7 able to sit into the teardrop correctly, and our frame
8 being--or their frame being bolted not welded--sorry, our
9 frame being bolted and not welded.

10 Purchasers do not look to interchange when
11 purchasing systems from our manufacturer because they lose
12 the warranty that the manufacturer provides either directly
13 from the manufacturer or through the distributor.

14 Business became increasingly more difficult when
15 the 301 tariffs came into place in September, when we had to
16 raise our prices 10 percent and pass along this cost to the
17 customer. In May when the rates were increased to 25
18 percent, many more customers were not willing to do business
19 with us due to the Chinese-U.S. relationship on trade and
20 the risk that it imposed on the ability to get the facility
21 open if there were further disputes between the two
22 countries.

23 In summary, the facts and data of this case
24 support that the imported racks from China are a very small
25 percentage of the U.S. market. We provide a small niche

1 market that provides racking almost immediately, and the
2 Petitioners are not able to service them with their 50-day
3 average lead time.

4 We can provide this to the customers for a
5 premium price, which the data supports the prevalence of
6 overselling. The data also supports the pricing is not the
7 most important factor. For example, UMH uses a inventory
8 model that shortens the lead times drastically. We also
9 have spent the time to engineer a more innovative design on
10 our racks by implementing a bolted design that saves
11 customers money on transportation.

12 With all this evidence, the U.S. market is
13 thriving and will continue to thrive in the future. The
14 U.S. producers have not been harmed by subject imports, but
15 are trying to close off competition rather than innovation.

16 I have brought samples from most of the
17 Petitioners' racking, along with my racking. I want to
18 spend a couple of minute to go over these with you, and
19 after the hearing I'll leave the samples and invite you to
20 put your hands on them.

21 I would be happy to answer any questions that you
22 may have. So I realize that you guys probably have never
23 put your hands on these, or seen them. You've probably
24 interacted with them at a Home Depot or a Lowe's Store.

25 This is the Teardrop Punch that everybody's

1 talking about is interchangeable. This is bracing, and a
2 column, and then these are beams that obviously go on to the
3 teardrop.

4 There's obviously tolerance differences when
5 these are punched. If this hole is punched further away or
6 closer to--from different manufacturers, they obviously
7 won't sit into the teardrop correctly. Most are similar,
8 but they're not all interchangeable. Let me give you an
9 example.

10 This is where our design is bolted, where the
11 bracing shares the bolt, and all of the other samples are
12 all welded. By being able to bolt them, we can ship without
13 the bolts assembled into this. So we're able to probably
14 get at least three times more product on a truckload for
15 this particular product.

16 You will notice that the top one, which goes with
17 this sample, it sits 90 degree flush with it, and I'm
18 pushing this this way. On this sample, it cannot sit flush
19 on it at a 90-degree angle, which would allow the connector
20 on the other side, if this wasn't a sample, the ability to
21 not get put into the teardrop on the frame on the other
22 side. This is just one example of how they are not
23 interchangeable.

24 Also, the Petitioners this morning stated that
25 they would not sell their racks if they knew it was going to

1 be interchanged with any other manufacturer. That's all I
2 have. I'd be happy to take any questions.

3 CHAIRMAN JOHANSON: And that concludes your
4 testimony, is that correct?

5 MR. MEMEGAZ: Yes, that's correct.

6 CHAIRMAN JOHANSON: All right, well, we
7 appreciate you all being here today. We will now begin
8 Commissioner questions with Commissioner Kearns.

9 COMMISSIONER KEARNS: Great, yes, thank you all
10 for being here today. I appreciate you coming out from
11 California. And I think you all answered a lot of questions
12 I had in your opening. So I have a lot fewer questions than
13 I had originally thought. But I do have a few here.

14 I wanted to start with, and I know, Ms. Perkins,
15 you addressed this a little bit in your opening as well,
16 but, you know, it seems to me that the petitioners make a
17 pretty strong case for why the product pricing data we have
18 for one of the importers is aberrational, whether you look
19 at it from, you know, that importer's price compared to
20 others, if you look at AUVs, if you compare it to a
21 purchaser questionnaire answers on price superiority, if you
22 look at lost sales, lost revenue, you know, and I take the
23 point that I think you made this morning about the fairly
24 small percentage of the overall market, that it's covered by
25 those lost sales and lost revenue in census and yet, you

1 know, overwhelmingly where there was an answer to the
2 question, it did seem as though the answer was that the U.S.
3 industry lost due to price.

4 So given all of that, I mean, what should we do
5 with this importers' product pricing information?

6 MS. PERKINS: Susannah Perkins, ECS. I'm gonna
7 come at this, I wanna be careful about what I say, because
8 this does obviously concern one company's data in its
9 questionnaire. So we'll definitely respond more fully in
10 our post-hearing submission, but I think that the core
11 respondents confirms -- there's some discussion about --
12 sorry, I'm trying not to get too close to the BPI -- as an
13 overview, I think that they should be left in the
14 aggregation.

15 COMMISSIONER KEARNS: Okay.

16 MS. PERKINS: I think that their data is not
17 really as far out of it. There are other differences to the
18 underselling record. There's other firms who've responded
19 who didn't respond at the prelim that would account for a
20 change between the domestic producer or between the prelim
21 and the final, so there are both domestic producers and
22 importers. It's a different record. They're slightly
23 different products, so I think that this company should be
24 left in and I can get into the reasons for that
25 post-hearing. So that's my answer to that.

1 COMMISSIONER KEARNS: Okay, thank you.

2 MR. MALASHEVICH: If I may add, please, Bruce
3 Malashevich, ECS. In addition to that, by correspondence,
4 we mean official correspondence between the staff and the
5 company involved.

6 COMMISSIONER KEARNS: Okay.

7 MR. MALASHEVICH: And we looked at all that
8 stuff. And one reason why we are so confident that
9 notwithstanding the value involved, that the record should
10 stay as it is because staff diligently drilled down. As you
11 know, we're not permitted to contact the reporting companies
12 directly unless they're our client. But the staff was
13 quite, quite diligent in looking after essentially the same
14 issue. So the fact that their judgment, they retained the
15 value as is, as was confirmed, I think says a lot about the
16 veracity of the information.

17 COMMISSIONER KEARNS: Okay, great. Thank you
18 very much. That's helpful. Yeah, please.

19 MS. PERKINS: Sorry, Ms. Perkins for the record
20 again. One quick thing I wanted to say is that a comparison
21 of import AUV to the pricing product AUV is not really
22 appropriate in the first place. That the import AUV is
23 naturally not going to include everything that the pricing
24 product AUV does. So that's sort of a false equivalence
25 being drawn there, in my opinion.

1 COMMISSIONER KEARNS: Okay, thank you. Turning
2 to the cost-price squeeze issue. You argue that just
3 because prices went up so quickly and so significantly,
4 that's the source of the industries' problems. And, you
5 know, but of course, petitioners would say, well, you know,
6 that may happen in other cases, but you can raise your
7 prices and we weren't able to do so in this case because of
8 subject imports. So I guess I'd like you to respond to
9 that.

10 But then also, if you can respond to what we
11 heard this morning, which was that, you know, that most of
12 the sales for the U.S. industry are spot sales and so
13 increases in raw material costs are pretty immediately
14 factored into sales prices if they're able to do so, if
15 there isn't competition for subject imports. Did you all
16 have any responses to that?

17 MS. PERKINS: Susannah Perkins, ECS. So some of
18 this is gonna be about the pricing practices of the domestic
19 producers, which I don't have insight into. But I would
20 say, first of all, that they did raise their prices in
21 response to increasing raw materials.

22 And so it's not, we're not saying that there's no
23 evidence that they couldn't pass along part of the increase,
24 but there's a very large spike, and you can see that,
25 there's a graph in the staff report, there's a graph in our

1 brief, of the American Metal Market data.

2 And in terms of the spot sales, there is
3 discussion, I have the public version in front of me, so I'm
4 not sure if the page numbers will exactly track, but in my
5 copy it's 5-2 and 5-3 of the staff report where domestic
6 producers and an importer are noting that there's added a
7 surcharge.

8 And we don't have insight into when that
9 happened, but it seems to me from this discussion, as well
10 as from the questionnaire responses, that it sounded like
11 there were surcharges being added, not indexing, that would
12 be what's going on in a contract situation. So I don't,
13 again, I can't confirm this and I don't wanna speculate, but
14 there is discussions of surcharges in the staff report and
15 that's the best evidence I have for this.

16 COMMISSIONER KEARNS: Please, Mr. Malashevich.

17 MR. MALASHEVICH: Yes, one further thing. I
18 think it's fair to say that the testimony of the individual
19 -- witnesses today was actually quite mixed in terms of
20 whether these price on a spot or different kinds of
21 arrangements, and what I glean from the testimony is that
22 there was a lot of push-back from certain customers who had
23 some kind of arrangement that was in place.

24 There was mention of certain fixed-price
25 contracts in certain situation. I think each producer has a

1 different philosophy about its pricing. And the fact of the
2 matter is, just because costs increases, it doesn't mean
3 that individual purchasers will go along with it.

4 COMMISSIONER KEARNS: But what would stop -- I
5 mean I would think that the U.S. producers would increase
6 their prices unless they weren't able to do so, so the only
7 reason why a purchaser, you would, would say, I mean, how
8 can a purchaser say no? One reason would be because they
9 can go to the purchasing subject imports as a replacement.
10 What other reasons are there?

11 MR. MALASHEVICH: Well, the other reasons out
12 there is that this is an industry--I may be off by one or
13 two--with something like ten players. And those ten players
14 collectively account for a dominant share of the market by
15 anybody's standard. So there are other domestic players
16 they can go to. They can go to imports from Mexico as
17 another alternative.

18 So there needs to be a reality check between the
19 size of the import market share, even at its peak, and the
20 size of the market share of domestic producers, including
21 captive imports from Mexico, in particular. So they have a
22 lot of other options.

23 And also, in my experience in these cases, you
24 hear a lot of customers saying, "Well, they don't like to
25 accept what's called--in the jargon--opportunistic price

1 increases," where somebody's been a supplier to them for
2 many years and all of a sudden, they're making a price
3 increase and there's some negotiated settlement in between.

4 I don't think -- take the price of gasoline,
5 obviously it moves with the price of oil, and oil is the
6 larger component of that than the steel is in this industry
7 here. Yes, they move in sync, but not immediately, because
8 of competition and existing arrangements that might include
9 or guarantee, well, we're gonna hold our price for so many
10 months, and the adjustments would not be instantaneous, but
11 more align of a step increase.

12 And our point here is that when the prices move
13 up so quickly by so much, it's not to be expected that any
14 industry would be able to immediately put up the price to
15 cover themselves. And the effects of that on the downside
16 of pricing, which was equally traumatic from about the
17 summer of 2018, are that they had all this high-priced
18 material, steel, that they bought, not anticipating that
19 prices would plummet by the degree they had, and they were
20 stuck with this stuff that they had to use and draw it down.

21 So there were issues of the difficulty of
22 increasing prices by double-digit percentages to the
23 customers. Generally, when you have ten competitors, even
24 if imports were zero. And on the downside, there was really
25 an accounting issue of, you know, having to use that

1 high-priced inventory and that's going to depress their
2 reported profits for financial purposes, which is what the
3 Commission relies on properly so. But in the actual
4 marketplace, if you looked at the spread of steel versus the
5 racks at the same time, you're going to have what appears to
6 be a hugely widening profit spread, but that would not occur
7 immediately, probably is occurring now.

8 COMMISSIONER KEARNS: Okay, great, thank you. My
9 time is up.

10 MR. MENEGAZ: Am I able to just add two cents to
11 the responses?

12 COMMISSIONER KEARNS: Please, yes.

13 MR. MENEGAZ: We do want to put into perspective
14 the option of Mexico. There are two big U.S. producers that
15 we all know, Frazier and Interlake, that did not join the
16 petition. Our client informs us that they are the 800-pound
17 gorillas in this market. They are the two largest producers
18 with essentially unlimited access to Mexican products and
19 their own products. So it's not a hypothetical that there
20 were many options in the marketplace besides the subject
21 imports. Thank you.

22 COMMISSIONER KEARNS: Okay, thank you very much.

23 CHAIRMAN JOHANSON: Respondent claims that
24 nonprice factors such as lead time and availability
25 adequately explain any shift in market share away from the

1 domestic industry to subject imports during the period of
2 investigation. And y'all argue this at Page 9 of your
3 brief. Are you aware of specific purchasers who quit
4 purchasing domestic steel racks due to these factors?

5 MR. BARTLETT: Ryan Bartlett with United
6 Materials Handling. I would say that not all purchasers
7 quit solely purchasing from U.S. producers, but they looked
8 at the option when their customers need the supply of power
9 racking quicker. So they don't solely stop supplying to
10 their customers U.S.-produced racks.

11 In addition to that, we also have, you know, some
12 customers that come to us for a bid and we are competing
13 head-to-head with the U.S. producers. I mean, a lot of our
14 orders are based on lead time, and we have a huge facility
15 that stores racking and with our one- to two-week lead time,
16 it was a much more advantageous for customers who are
17 looking at a 12- to 16-week lead time from U.S. producers.

18 CHAIRMAN JOHANSON: Okay, thank you, Mr.
19 Bartlett. And are there any other factors in your view that
20 explain the market share shift between the domestic industry
21 and the subject imports from 2016 to 2018? And you see the
22 shift in the Table C-1 of the staff report.

23 MR. BARTLETT: I think some of the shift would be
24 that our product is obviously more cost-effective for
25 shipping. It has, you know, obviously, different lead

1 times, the ability to engineer close to the capacities of
2 the U.S. producers. It's not exact. And our design and I
3 think our aesthetics are better looking.

4 CHAIRMAN JOHANSON: Yes.

5 MS. PERKINS: Susannah Perkins, ECS. Just to
6 speak to that. So it's only a few percentage points of
7 market share really changed. So there doesn't need to be a
8 mass exodus of purchasers saying, "We don't wanna buy from
9 domestic producers." Just a few purchasers deciding that
10 the lead times are an important issue, could be enough to
11 shift a few percentage points. So I think it's just an
12 important thing to keep in mind when we're talking about
13 such a tiny shift in volume. Thank you.

14 CHAIRMAN JOHANSON: Okay, thanks, Ms. Perkins.
15 Sixteen out of twenty purchasers, or 80%, reported that
16 subject imports were priced lower than domestic steel racks,
17 and this can be seen at Table 2-10 of the staff report. In
18 addition, of the fourteen purchasers who stated that they
19 purchased subject imports instead of domestic steel racks,
20 some thirteen stated that subject imports were priced lower
21 as shown in Table 5-10 of the staff report.

22 How do we square the pricing data showing more
23 overselling than underselling with the information from
24 purchasers also compiled in the prehearing report that tells
25 us that subject imports are priced lower than domestic

1 product? It's kind of a confusing situation.

2 MR. MALASCHEVICH: Bruce Malashevich, ECS. And
3 Ms. Perkins will likely add to this. She's smarter than I
4 am, so it's more important. But I think we have to
5 understand that there are a lot of configurations of these
6 products. "Different strokes for different folks." And the
7 pricing data focuses on apples-to-apples comparisons.

8 And those apples might not be the same as what
9 the purchasers are reporting as lower- or higher-priced.
10 But they're deemed to be that representative of that pricing
11 as a whole. They were defined by petitioners. So, you
12 know, presumably, the expectation was that their best case
13 would be made from these products. And it just didn't work
14 out that way. Ms. Perkins, do you have something to add?

15 MS. PERKINS: Yeah, Susannah Perkins, ECS. I
16 think that petitioners this morning talked a lot about their
17 different -- they have sort of, I don't wanna say "segments"
18 necessary, but they had two sort of distinct product lines
19 they talked about, their customized things and their stock
20 markets. And all of the industry witnesses really
21 emphasized that the stock products are what is competing
22 head-to-head with subject imports, even though we know Ryan
23 does have some ability to do some customization as well.

24 So the pricing data is, as my colleague, Mr.
25 Malashevich, pointed out, that's specific pieces. And if

1 the imported product is, in general, not offering this
2 customization, then the purchaser perceptions would be that
3 domestic is priced higher, even though, when you lay a piece
4 side-by-side, when you lay the same beam from domestic and
5 imported, the imported beam might be higher, is that clear?
6 Did I make myself clear?

7 CHAIRMAN JOHANSON: I think so. I mean I
8 understand what you're saying there. But this leads me to a
9 very basic question, which is only, like, eight or nine
10 words long, which might be too basic today. But are subject
11 imports priced lower than domestic product?

12 MS. PERKINS: Susannah Perkins. I think the
13 underselling data indicates that that's mixed.

14 CHAIRMAN JOHANSON: Okay. That's kind of --
15 yeah, okay, thank you. Petitioner argues that anti-dumping
16 and Section 232 duties on hot-rolled steel provide incentive
17 for Chinese producers to focus on downstream products such
18 as steel racks and increase their exports to the U.S. market
19 in the absence of relief. They argued this at Pages 26 and
20 27 of their brief. Do you see this incentive pointing out?
21 And does this explain in any part the increase in subject
22 imports during the period of investigation?

23 MR. MENEGAZ: This is Greg Menegaz. I don't
24 think so. I think, as our witnesses explained, there are a
25 lot of nonprice factors. It's a very modest absolute volume

1 increase in the market and, you know, their linkage is a
2 very highly speculative. And so we don't think the
3 Commission should put any weight on a 2013 government policy
4 plan or on the fact that there were orders on other steel
5 products. Thank you.

6 CHAIRMAN JOHANSON: Okay, thanks, Mr. Menegaz.
7 Respondent has argued that the Section 301 tariffs now in
8 effect, create an unprecedented advantage for domestic
9 producers of steel racks. And this is at Page 2 of your
10 brief. A number of domestic producers, however, have
11 reported no change in demand, supply, U.S. prices, or raw
12 material costs as a result of the Section 301 tariffs, as
13 shown in Table 2-1 of the staff report. What is your
14 reaction to this?

15 MR. MENEGAZ: Well, I mean, we could look at that
16 and address it more fully in the post-conference brief, but
17 certainly the 25% tariff on 301 is outside the data that
18 you've collected. And I would argue that even when you look
19 at a 10% tariff and the 25% tariff and you compare it to the
20 level of underselling, we would argue that, regardless,
21 injury has been removed.

22 And so, you know, what our client is reporting is
23 that the lead times for the petitioners is growing rapidly,
24 not shrinking. It's much more than fifty days now, so that
25 would contradict whatever findings you're referring to from

1 their arguments.

2 CHAIRMAN JOHANSON: All right, thank you, Mr.
3 Menegaz. And to follow up on that, could you all please
4 explain how the Section 301 tariffs have impacted your
5 businesses, or your business and the U.S. market from your
6 perspective? Mr. Bartlett?

7 MR. BARTLETT: Sure. Ryan Bartlett, United
8 Materials Handling. The 301 tariffs have obviously
9 increased our costs dramatically. It's not allowing us to
10 service our customers. We have a smaller supply of
11 inventory. We are still having to pass as much of that on
12 to the customer as possible, but we're not having any luck
13 with that.

14 I would say on the U.S. market, I believe it's
15 obviously given them an advantage over subject imports, but
16 they're still being held by the imports from Mexico, so
17 while they can't directly be in charge of the pricing,
18 they're still being checked by other nonsubject imports.

19 CHAIRMAN JOHANSON: Thanks, Mr. Bartlett. My
20 time is about to expire, so we'll now turn to Commissioner
21 Williamson.

22 COMMISSIONER WILLIAMSON: Thank you, Mr.
23 Chairman. I wanted to express my appreciation to the
24 witnesses for coming today. Mr. Bartlett, I was wondering
25 if you could -- what else does MHS[sic] do anything else

1 other than sell the subject product?

2 MR. BARTLETT: UMH? Me?

3 COMMISSIONER WILLIAMSON: Excuse me, I'm sorry.

4 MR. BARTLETT: Yeah, so we sell the subject
5 product, we do installations. We sell a third-party
6 engineering service and we would also set up freight for
7 customers. Those are really the four items that we do.

8 COMMISSIONER WILLIAMSON: Okay, so, would you
9 consider yourself both an importer and a distributor then,
10 in certain respects?

11 MR. BARTLETT: Yes.

12 COMMISSIONER WILLIAMSON: Okay. Okay, and so are
13 distributors pretty much spread all over -- are they
14 concentrated or do they tend to specialize in certain areas?

15 MR. BARTLETT: This is Ryan with UMH. I can't
16 speak for the petitioners' distributors, but we do have some
17 distributors we work with that are most likely are mostly
18 regionally. We do not have any distributors on the East
19 Coast, since we're West Coast-based. But we may have a
20 customer or distributor that's on the East Coast selling a
21 project on the West Coast, which we would then supply the
22 material for.

23 COMMISSIONER WILLIAMSON: Okay. This morning the
24 petitioners kept talking about the fact that -- and it's
25 talking about this lead times, that their distributors, what

1 they can provide just-in-time, as well as the imports. And
2 that it's really, the lead times are between the domestic
3 producer and their distributors. It sounds like you are in
4 a position to have that inventory available as a distributor
5 to get to the end user and that their distributors can do
6 the same, does that really put the domestic industry at a
7 better disadvantage?

8 MR. BARTLETT: I don't believe so. I believe
9 most of their sales is not through stocking distributors. I
10 believe they do have very small share of stocking
11 distributors that handle a very small amount of racking. We
12 handle very, very large amount of inventory that allows us
13 to react faster than, say, somebody who's stocking a 1,000
14 beams versus us, who's stocking 100,000 beams.

15 COMMISSIONER WILLIAMSON: But are there
16 distributors who are national distributors, as well as
17 local?

18 MR. BARTLETT: For us or for the petitioners?

19 COMMISSIONER WILLIAMSON: Well, first petitioners
20 and then for you.

21 MR. BARTLETT: I don't know --

22 COMMISSIONER WILLIAMSON: Or is there a
23 difference in who your distributors are versus their
24 distributors?

25 MR. BARTLETT: No, I believe they're about the

1 same and I believe they're mostly regionally. There's
2 nobody, that I'm aware of, that's spread throughout the
3 country.

4 COMMISSIONER WILLIAMSON: Ms. Perkins, you seem
5 to want to interject here, so --

6 MS. PERKINS: Yeah, thank you, Commissioner
7 Williamson. Susannah Perkins, ECS. I just wanna say that
8 this was actually confirmed by petitioners' panel this
9 morning. I believe it was Mr. Quist who said 20- to 25% of
10 his sales are to distributors. And that is almost exactly
11 confirmed by what the staff report says, that 73% are
12 produced to order.

13 So, and I believe Mr. Young, is it, of the Husky
14 Wireway, said 25%, could be up to 50%, so that's not--I
15 think--doesn't contradict what's in the staff report about
16 the 73% of shipments being produced to order. I just wanted
17 to point that out.

18 MR. BARTLETT: And I'd like to add that, you
19 know, you can be a distributor of their product and not
20 stock it. So they can sell product coming directly from the
21 U.S. producers plant directly to the job site, which is a
22 majority of their distribution sales. Very little of their
23 distribution sales is actually buying and stocking at their
24 facility.

25 COMMISSIONER WILLIAMSON: So are those mostly to

1 projects that are large-scale projects that have to be
2 well-planned out far in advance? Or --

3 MR. BARTLETT: I believe it would be all types of
4 projects, large, small and medium. And also the larger
5 projects, they work directly with the U.S. producers.

6 COMMISSIONER WILLIAMSON: Say that again?

7 MR. BARTLETT: So most customers, when they have
8 a large project, they do not work through distributors.
9 They work directly with the U.S. producers. And buy
10 directly from the U.S. producers.

11 COMMISSIONER WILLIAMSON: And are those projects
12 ones that tend to have a long-term planning --

13 MR. BARTLETT: Yes.

14 COMMISSIONER WILLIAMSON: -- terms of --

15 MR. BARTLETT: Yes.

16 COMMISSIONER WILLIAMSON: Okay. And do you work
17 with those -- do you sell to large projects, too?

18 MR. BARTLETT: Very rarely. There's a couple of
19 customers that I have a really good relationship, that we've
20 been able to build that ability for them, but we are mainly
21 supplying a smaller type of project.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. BARTLETT: And I'll add to that. When they
24 were saying customizations, I have a couple of customers
25 that like their racks painted as their company colors, and

1 they're waiting the lead time to get the company colors,
2 which we don't charge extra for. And so that's why the
3 customization to a degree is what we're able to do for
4 customers.

5 COMMISSIONER WILLIAMSON: Okay. I guess, for the
6 economists and lawyers. Post-hearing, could you take a look
7 at Table 2-2, which talks about sources and channel of
8 distribution and particularly of imports from China. And
9 there was a shift from '18 to '19, in between distributors
10 and I want you to comment on post-hearing, and what does
11 that mean?

12 Okay. Also, Ms. Perkins, and Chairman Johanson
13 also got it though somewhat. You had talked about the --
14 you have referred to Table 2-2 and the -- I'm sorry, wrong
15 one. Table 2-8, you had talked about what purchasers
16 considered to be important. And you mentioned that there
17 were more things than price.

18 But if you compare that with the results in Table
19 2-10 as to where the imports were supposed to have an
20 advantage, it would seem like only one of those leading
21 things was there a significant difference, and isn't that
22 really the more important point when you're talking about
23 price and impact? And you can do it post-hearing, but do
24 you --

25 MS. PERKINS: Yeah, I think I will get more into

1 this post-hearing, Susannah Perkins, ECS. One thing I would
2 like to point out is that in petitioners' presentation this
3 morning, they had a nice little pie chart where they'd
4 collapsed superior and comparable and compared it to
5 inferior. And if you look at, for example, delivery time,
6 you'll see that it's evenly split, essentially. It's 7-7-5,
7 in terms of superior, comparable, inferior, so that's just,
8 I think that these numbers, they don't show necessarily a
9 dominance one way or the other, but I'll get more into this.

10 COMMISSIONER WILLIAMSON: Yeah, but I guess the
11 question -- yeah, they may be comparable, but the thing is
12 where they're not comparable, the significant difference is
13 in the price.

14 MS. PERKINS: I understand. I think I'm going to
15 need to get it at post-hearing, but --

16 COMMISSIONER WILLIAMSON: Okay. What explains
17 the pattern of imports we see? Particularly with the
18 substantial increases in the last three quarters of 2018?
19 This is at UMH's prehearing brief, Page 13. And what
20 explains the decline in interim 2019?

21 MR. MENEGAZ: So, you're just asking about the
22 decline in imports in 2019 internally?

23 COMMISSIONER WILLIAMSON: No, also the increase
24 in 2018.

25 MR. MENEGAZ: Well, we would maintain that the

1 increase was modest throughout the POI year to year and
2 overall, until the interim 2019 when the, you know, the 301
3 really started to bite into the Chinese exports. So, we
4 don't think that these are significant numbers in the
5 calendar years in the first place.

6 COMMISSIONER WILLIAMSON: Okay, and -- but you'll
7 say the decline was because of the two 301's and the --

8 MR. MENEGAZ: Yes, that and the departure of a
9 major importer from the market as the staff noted.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. MENEGAZ: So, that would probably you know,
12 put a big hole in the ability of their Chinese supplier to
13 continue to participate in the market.

14 COMMISSIONER WILLIAMSON: Okay, okay. Thank you
15 and thank you for those answers.

16 CHAIRMAN JOHANSON: Commissioner Broadbent?

17 COMMISSIONER BROADBENT: Thanks. I want to
18 welcome the panel. I appreciate you coming. Mr. Bartlett,
19 why is it that most imports are sold from inventories while
20 most domestic shipments are produced to order? Does this
21 reflect greater variety or customization within the domestic
22 market?

23 MR. BARTLETT: I think the answer is we're trying
24 to come up with innovative ways to be able to service
25 customers. The produced to order has been a 50 plus year

1 business model that the producers have lived in for 50 years
2 or longer, and we're trying to think of innovative ways to
3 meet the demand, really.

4 COMMISSIONER BROADBENT: Right, is there greater
5 concentration of domestic industry shipments of complete
6 rack sets, whereas most subject imports are not of the
7 complete rack sets right now?

8 MR. BARTLETT: No, it really is sold as a
9 complete set.

10 COMMISSIONER BROADBENT: Okay.

11 MR. BARTLETT: It voids the warranties if they
12 start trying to piece mail it together, so the end user and
13 the distributor doesn't -- it doesn't benefit them to start
14 piece mealing one product from one manufacturer and a
15 product from another manufacturer.

16 COMMISSIONER BROADBENT: Okay, Miss Perkins, you
17 state that certain purchasers noted supply issues with
18 certain domestic producers, but the variety of U.S.
19 producers and most purchasers noted that there were no
20 supply issues that they faced.

21 Does this record really demonstrate that the
22 domestic industry had systemic supply issues over the period
23 of investigation?

24 MS. PERKINS: Susannah Perkins, ECS. I don't
25 know if I would characterize it as systemic, but I think we

1 do have a pretty significant record of supply constraints.
2 I'd also repeat what I said earlier to Commissioner
3 Williamson, where we're not seeing a huge shift in market
4 share.

5 There isn't -- there hasn't been a mass exodus,
6 there doesn't need to be a systemic problem for a few
7 purchasers to decide that they don't want to wait 22 weeks
8 to get their steel racks, would be how I would interpret the
9 record.

10 COMMISSIONER BROADBENT: Okay. Mr. Bartlett,
11 what is the outlet for overall U.S. demand for steel racks
12 for 2019 and 2020? Do you agree with Petitioners that
13 demand is likely to slow in the future?

14 MR. BARTLETT: No, I believe that the global
15 forecast, including the national forecast is positive, very
16 positive, especially with the growing demand for more and
17 more e-commerce. I was quite surprised that they had that
18 kind of outlook on the market.

19 COMMISSIONER BROADBENT: I mean I guess they're
20 arguing that the retailers -- the physical retailers are
21 scaling back and there's an adjustment going on there.

22 MR. BARTLETT: Yeah, most of them are scaling
23 back the retail brick and mortar places to build warehouses.

24 COMMISSIONER BROADBENT: Right.

25 MR. BARTLETT: So, that way they can ship direct

1 to your houses.

2 COMMISSIONER BROADBENT: Okay.

3 MR. BARTLETT: I was quite surprised by their
4 testimony.

5 COMMISSIONER BROADBENT: Okay.

6 MR. MENEGAZ: And if I can just add, Gregory
7 Menegaz, when we were sitting here at the staff conference,
8 we all kind of agreed that demand might tail off at the end
9 of 2018. It's quite unbelievable that it's a whole year
10 later that we're sitting here at the hearing due to the
11 government shutdown.

12 But that didn't turn out to be true. The growth
13 was robust through 2018 and continues to be that way and we
14 will be able to submit the actual industry reports in our
15 post-hearing brief that we're sure everyone else in this
16 room has, thank you.

17 COMMISSIONER BROADBENT: Okay, the Petitioners
18 argued that the anti-dumping duties and hot-rolled steel
19 from China, could be an incentive for more exports of
20 downstream steel products from China to the United States.

21 Is that part of the reason for the increase in
22 subject imports from 2016 to 2018?

23 MR. MENEGAZ: Gregory Menegaz, I just don't see
24 how that such a small increase could be attributed to
25 another product at all. And I think we can't start pointing

1 at other orders on upstream products as a cause of injury
2 and all of the downstream product investigations, so we
3 think the record that you have on this product does not
4 support an injury finding.

5 And there's no hard evidence of a linkage between
6 those two phenomenon.

7 COMMISSIONER BROADBENT: Okay, why did steel
8 prices gradually decline after 2018 despite the continued
9 application of the 232 Tariff? Do you agree that this was
10 driven by an increase in domestic steel supply?

11 MR. MENEGAZ: We don't have any direct knowledge
12 of that, but we have the American metal reports, and so we
13 have to stand by what those reports say.

14 COMMISSIONER BROADBENT: Okay. Miss Perkins
15 confirmed lost sales accounted for a greater share of
16 subject imports than pricing data provided by the importers.
17 Does this prove that subject imports undersold the
18 domestic-like product?

19 MS. PERKINS: I don't think it does because the
20 purchaser's questionnaires were -- had a fairly small
21 coverage in and of themselves. And there's no indication in
22 the purchaser's questionnaires that there were -- these were
23 pricing products or vice-versa, so I believe that the
24 Petitioners picked pricing products that they thought were
25 representative of the market and that the overselling data

1 that's reflected there should be considered to be accurate.

2 And I believe that as a percent of reported
3 purchases, again I can't state the percentage publicly, but
4 it was very, very small, so.

5 COMMISSIONER BROADBENT: Okay. Mr. Malashevich,
6 why is it that the domestic industry was unable to
7 successfully pass through changes in the raw material cost
8 to customers? Why was it unable to maintain its cogs to net
9 sales ratio throughout the period of investigation?

10 MR. MALASHEVICH: I don't think there's any one
11 reason, but I don't think there's any industry who can
12 immediately reflect increases in the costs of a key material
13 and the prices they get from its customers. I mean it's
14 just a reflection of competition and human nature that there
15 is a balance between what the supplier would like to get and
16 what the customer is willing to pay, and that is frequently
17 compromised during the course of negotiation.

18 And also, I would say they did a pretty good job
19 of increasing prices under the circumstances to recover a
20 lot of the increased cogs through higher prices, including
21 to the limited degree, the introduction of surcharges.

22 So, there are a lot of positive developments in
23 the pricing factor, even if they did not completely recover
24 the increased cost, but the opposite is true on the
25 downside. The price of steel has indicated in the American

1 Metal Market Index, and the staff report addresses this, was
2 just as dramatic as the increase and quite sudden. But it
3 was not reflected in the county conventions of profit and
4 loss, it would not have been reflected until much later in
5 the period. There's always a lag in that respect, but it's
6 a counter convention, it's not of the underlying economics.

7 COMMISSIONER BROADBENT: Okay. Miss Perkins, the
8 vast majority of responding purchasers indicated that
9 Chinese product was priced lower than the domestic product.
10 Isn't this an indication of underselling?

11 MS. PERKINS: Susannah Perkins, ECS. I think
12 this goes back to what the Petitioner's panel said this
13 morning where they do big custom jobs and they also do their
14 quick ship stocking stuff, that's how they referred to it I
15 believe.

16 If the stocking product is competing on a
17 head-to-head basis with subject product as in the
18 underselling data, it shows that subject product is in a
19 majority of instances, higher priced, but because the
20 domestic producers also do large custom jobs, the purchaser
21 perception could be that domestic product is generally
22 higher priced and on average is higher priced.

23 COMMISSIONER BROADBENT: Okay, Miss Perkins, the
24 Commission has reached an affirmative determination based
25 primarily on small market share shifts in prior cases, as

1 long as it has been able to establish significant
2 underselling.

3 If the Commission determines that underselling is
4 significant in this case, could it reach an affirmative
5 determination based on a market share shift?

6 MS. PERKINS: I mean, the Commission can do -- I
7 don't dictate that, but I think that an affirmative
8 determination would not be warranted. I think for an
9 example of a similar fact pattern, the tapered roller
10 bearing case from Korea, from last summer had similarly very
11 small numbers involved, and actually if I recall correctly,
12 more underselling.

13 And reached a negative determination. So, that
14 would be my answer to that.

15 COMMISSIONER BROADBENT: Okay.

16 MR. MALASHEVICH: If I may expand on that please?
17 I think it's fair to say that all the information staff has
18 gathered in the staff report is important, but I think it's
19 fair to say that they deserve different weights in the
20 Commission's decision-making.

21 The purchaser perceptions -- they're always
22 surveyed and they're important yes, however, I think we can
23 agree is a squishier figure than the precise verifiable,
24 actual pricing data that the staff collects for products 1
25 through 4.

1 And also, would guess that among the purchasers
2 surveyed, some might be reporting that perception of prices
3 is based on -- I'm not saying this is a worry, you know, I'm
4 not, but hearsay -- what they hear from colleagues at
5 conventions, et cetera.

6 And I would venture to say there's a fair amount
7 of that that goes into surveys of purchaser perceptions
8 because they might not be purchasers of the Chinese product
9 at all. They could be talking to a buddy over a beer or
10 something like that and I just think less weight, can't
11 ignore it, but less weight should be placed on those
12 measures of who's underselling whom, then verifiable actual
13 prices for deemed to be identical products.

14 It just deserved greater weight. Also, I think
15 there's a subtle point that may have been lost in today's
16 discussions, is that I think the power of Mr. Bartlett's
17 testimony concerning the limited interchangeability of the
18 Chinese and the U.S. products, and I confirmed with him
19 earlier today that his samples on discussion of
20 interchangeability were not only for what he happened to
21 import from China, but it's true of the Chinese products
22 generally.

23 And it goes back to different strokes for
24 different folks. It's not because of the interchangeability
25 not being nearly as extensive as Petitioners are arguing.

1 There are going to be instances where demand is expanded by
2 the availability of products that have the positive
3 attributes, like more can be stuck in the same container and
4 freight costs and everybody in the room can agree a steel
5 product freight is a significant item.

6 So, those who feel it's important to save on
7 freight -- the game in town has to be the Chinese product.
8 So, I think there is some difficult to calculate proportion
9 of the increase in market share that represents an expansion
10 of demand, rather than displacement of competing domestic
11 products, and that's a consideration that I think has been
12 to some extent lost in the considerations today.

13 COMMISSIONER BROADBENT: Okay, my time has
14 expired, thank you.

15 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

16 COMMISSIONER SCHMIDTLEIN: Okay, thank you. I'd
17 like to also welcome the witnesses today, thank you for
18 being here. So, I'd like to go back to the question about
19 the confirmed loss sales that we have and how we should
20 consider those.

21 And Miss Perkins, I think you were just speaking
22 about that with Commissioner Broadbent, and I wonder if you
23 couldn't either repeat your answer or explain it a little
24 more, because I wasn't -- I thought I understood that you
25 said it goes back to the same answer that you were talking

1 about with regard to the pricing products?

2 That this has to do with what the purchasers
3 might be thinking about when they indicate whether or not
4 one is lower cost than the other?

5 MS. PERKINS: Susannah Perkins. Generally, yes.
6 I mean I think that it -- there's sort of two parts of that.
7 I just want to make sure I'm answering the correct one. Is
8 the question why are the -- like what's the, like the
9 coverage on the wagon wheels or the --

10 COMMISSIONER SCHMIDTLEIN: On the lost sales we
11 have 12 purchasers saying that they purchased subject
12 imports instead of domestic product, and that price is a
13 primary reason, right? And then they give an estimate of
14 the amount of that purchase that was made instead of
15 domestic.

16 And so, I think the question -- I think the
17 question from Commissioner Broadbent, doesn't that indicate
18 -- and in answering that question they indicate that subject
19 imports were lower priced. And then the next question is
20 was that a primary reason?

21 And I thought her question was does that indicate
22 underselling? And then your response was -- well, I go back
23 to the same answer that I gave with regard to -- I thought,
24 when we were talking about pricing products, and that you
25 have to make an apples to apples comparison and that

1 purchasers might be thinking of the made to order,
2 customized product versus the stock product and so, am I
3 wrong about that?

4 And so, I just wanted to clarify for this when
5 we're asking purchasers did you purchase subject imports
6 instead of domestic product? Do you think they're thinking
7 of two different types of products there?

8 MS. PERKINS: Susannah Perkins, I wouldn't want
9 to speculate, so my answer about the -- of going back to the
10 pricing products was more about the purchasers stating in
11 the comparability and interchangeability questions.

12 COMMISSIONER SCHMIDTLEIN: Okay.

13 MS. PERKINS: That subject was lower priced, that
14 was --

15 COMMISSIONER SCHMIDTLEIN: Okay.

16 MS. PERKINS: So, is --

17 COMMISSIONER SCHMIDTLEIN: But for the confirmed
18 lost sales, do you think this is evidence of underselling
19 given the number of purchasers that have shifted their
20 purses and indicated that price was a primary reason?

21 MS. PERKINS: No, I don't, because I think that
22 an underselling analysis was done on a quarterly basis on an
23 apples to apples comparison, and I don't think we're seeing
24 granularity in the data from purchaser's questionnaire.

25 COMMISSIONER SCHMIDTLEIN: Well given that the

1 percent here, and this is confidential, but when you look at
2 the estimated total amount and you compare that to just the
3 overall increase in volume that occurred, which is also
4 confidential. It's a pretty hefty percentage of that.

5 So, when you look at the overall increase in
6 volume and shipments from China, right -- let's look at this
7 C Table, and again you could address what they're sharing,
8 if you look at that or you look at the -- on page Roman V-XX
9 where it shows the total subject imports that were purchased
10 and then you look at the amount that's been confirmed,
11 that's a fairly large amount.

12 MS. PERKINS: I think to avoid getting into any
13 confidential information on these, we'll address it in
14 post-hearing.

15 COMMISSIONER SCHMDITLEIN: Okay. Well, given
16 that -- given the percentage that it covers there, I guess
17 I'd invite you to address why doesn't that indicate that
18 there has been underselling? I mean the purchaser is
19 actually stating that the price is lower, and that price was
20 a primary reason?

21 MS. PERKINS: I'll address that post-hearing.

22 COMMISSIONER SCHMIDTLEIN: Okay. And sort of
23 along the same lines, you made the point a couple times that
24 it might -- given the percentage loss of market shares here,
25 that may only be a couple of purchasers that have changed

1 their buying habits and that those could be due to the lead
2 time issues that you all have pointed out.

3 And so, my question is could it have changed
4 things that were priced though, given the evidence in the
5 record where we have 15 purchasers reporting that domestic
6 product was inferior and terms of price, I think you go back
7 to your original answer, but they probably weren't making an
8 apples to apples comparison and we have the lost sales
9 information that I just referred to.

10 Couldn't you say the same thing for price that
11 well, it will only take a couple of purchasers shifting
12 their sales due to price that will cause that loss in market
13 share?

14 MS. PERKINS: Susannah Perkins, ECS. I think you
15 could, but I also think that this record indicates that
16 price is not the primary basis on which this product was.
17 It's not that price is never a consideration. I don't walk
18 around the grocery store without looking at the prices on
19 the shelves, but it's not always my primary consideration
20 and I think that the record, the investigation supports
21 this.

22 There are lots of purchasing factors of which
23 price is one, but price is not the primary.

24 COMMISSIONER SCHMDITLEIN: Okay, okay, shifting
25 gears a little bit. I believe that I think it was your

1 testimony, you talked about the correlation here, and that
2 if there's no correlation there's no causation, and I think
3 you're referring mostly to the interim period and I
4 apologize if you already testified to the response of this
5 question. Can you respond to the Petitioner's or anybody
6 else on the panel, in fact, I don't want to pick on you, to
7 the Petitioner's contention that the inventory -- the
8 shipping out of inventory in the interim period is why the
9 domestic industry didn't do better?

10 And in particular, and again I think I can have
11 some of this in the post-hearing, when you look at the
12 interim level of inventory right, which I suppose is in the
13 January to March 2018, March of '18 versus March of '19,
14 there's a fairly substantial difference there in the
15 inventory level when you look at it on the interim basis.

16 Can you respond to that argument that that's why
17 you don't see the industry doing better -- that imports are
18 different from shipments and that shipments actually
19 continued?

20 MS. PERKINS: Yes, absolutely, Susannah Perkins,
21 ECS. So, if you look at Exhibit 3 to our brief, we did an
22 apparent consumption scenario using the importer
23 questionnaires, so reported shipments, yeah -- reported
24 shipments, not reported import, would show that shipments
25 were also down.

1 These numbers were not revealed publicly, so I
2 can't talk about them, but I will go more into detail
3 post-hearing, but shipments, according to the record,
4 shipments of subject product were down in interim '19.

5 COMMISSIONER SCHMIDTLEIN: Okay. Alright we will
6 take a look at Exhibit 3 as well. Okay, speaking of which
7 and I'm not sure if anyone has touched on this yet, do you
8 all agree that the filing of the petition had an impact on
9 the volume of subject imports? When did subject imports go
10 down in the interim period in '19, Mr. Bartlett go ahead?

11 MR. BARTLETT: Yeah, I'm sorry.

12 COMMISSIONER SCHMIDTLEIN: Yeah, you don't have
13 access to all this information so go ahead.

14 MR. BARTLETT: I would suggest obviously the
15 cases won in relationship with China and the U.S. is another
16 factor. The tariffs are another factor, probably all of it
17 combined makes it very difficult.

18 COMMISSIONER SCHMIDTLEIN: Okay, and would you
19 all like to add anything given that you do have access to
20 the numbers in terms of showing the volume from China in the
21 interim period dropping substantially?

22 MS. PERKINS: Susannah Perkins, ECS. I would
23 agree with what Miss Drake said this morning. I think it's
24 a little difficult to parse exactly what came from the case,
25 what came from the 301, what came from U.S. China trade

1 relations. I think there are a number of things, but I
2 think our point stands that if the volumes have dropped,
3 whether measured from importer shipments or from foreign
4 producer's exports, and the domestic industry has not seen
5 relief and is actually performing at its worst level of the
6 entire POI in interim 2019, then it severs the problem
7 access.

8 COMMISSIONER SCHMIDTLEIN: Okay, the last
9 question I have in this round is back to I think what you
10 all covered in the beginning of your presentation which is
11 the question about coverage in this case, and I know you've
12 made several points about the scope changing and therefore,
13 you know, many of the importers have dropped out because
14 their products are no longer covered by the scope.

15 One thing we noticed though is that we've got
16 responses from 6 foreign producers, but that there were
17 roughly 40 foreign producers that received separate rates at
18 the Commerce for anti-dumping duties. So, how does that,
19 you know, have you taken that into account?

20 So, obviously there are still a number of other
21 foreign producers that has product covered within the scope
22 that didn't respond?

23 MR. BARTLETT: Ryan Bartlett with UMH. As the
24 Petitioners mentioned this morning, to really be able to
25 sell into the U.S. market, you really need the RMI

1 certification which only very few have.

2 And in addition, there's only very few factories
3 in China that actually produce this type of racking, so
4 there's not -- there's nowhere near 40 different factories
5 that make this type of racking. I can -- I believe that a
6 majority of them have responded to the case.

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. MENEGAZ: Can I just add also.

9 COMMISSIONER SCHMIDTLEIN: Okay.

10 MR. MENEGAZ: It's very important to understand
11 that the separate rate application is due by Federal
12 Register Notice of Initiation and I think it's CVD -- only
13 in the AD case within 30 days of initiation of the case.

14 So, all the light duty people in the world that
15 were concerned that they were going to be cut off from the
16 U.S. market, filed SRAs. The applications for the separate
17 rate due to the timing of the requirement of the filing
18 really has no relationship to who was really in this
19 industry.

20 COMMISSIONER SCHMIDTLEIN: I see, so some of
21 those individual rate cases would be companies that are no
22 longer within the scope?

23 MR. MENEGAZ: That's right, and that's why
24 there's nobody else at our hearing today.

25 COMMISSIONER SCHMIDTLEIN: I see.

1 MR. MENEGAZ: All those people that were at the
2 staff conference don't care anymore.

3 COMMISSIONER SCHMIDTLEIN: Okay, alright, thank
4 you for that.

5 CHAIRMAN JOHANSON: Commissioner Kearns?

6 COMMISSIONER KEARNS: Thank you. Just picking up
7 from where Commissioner Schmidtlein left off on the import
8 coverage issue and I have the same question for Petitioners.
9 Post-hearing, can you please comment on the volumes of the
10 imports from UMH in interim 2019 versus our aggregate date
11 for that period which is based on foreign producer
12 responses?

13 And again, if I can get a response to that
14 question from both the Respondents and Petitioners, I would
15 appreciate it.

16 MR. BARTLETT: Yes, we can address it
17 post-conference.

18 COMMISSIONER KEARNS: Thank you. And then
19 another issue that Commissioner Schmidtlein was just
20 touching on the post-petition effect versus 301. It --
21 would you agree that a good way for us to kind of try to
22 tease out which, you know, to the extent to which the
23 decline in imports is due to the position versus 301, if we
24 looked at the preliminary CBD margins for various companies.

25 You know, if Chinese producers -- and saw, and

1 looked at what happened with their quantities, their sales
2 to the U.S., that that would help us, sort of, determine --
3 because obviously, they're all covered by 301, they're not
4 all covered by the same preliminary CBD margins.

5 So, we've just taken a look at that and it seems
6 like it yields some pretty interesting findings. So, I
7 would encourage you, I guess post-petition and now, if
8 you're able, you know, to comment on that as well.

9 MR. BARTLETT: I think we'll have to take a look
10 at that data and comment in the post-conference hearing
11 brief.

12 COMMISSIONER KEARNS: Okay, and I should maybe
13 mention too that this is connected to the first question we
14 asked about the UMH import data as well. I can't say much
15 more than that, it's a little bit cryptic, sorry, but
16 anyway.

17 I've got some questions there as well. Okay, so
18 turning back to lead times, you know, Mr. Bartlett, you're
19 obviously in a great position to answer these questions and
20 you did to some extent with Commissioner Williamson earlier,
21 but you had mentioned earlier.

22 Sorry, I think Commissioner Williamson was
23 pointing out that what we heard this morning was that if you
24 look at the sales from distributors of U.S. producers to
25 their downstream purchasers, that you wouldn't see long lead

1 times and that maybe that's part of the issue here.

2 And also, that there's a difference between
3 commodity racks and custom product. So, I guess I'm just
4 curious, can you tell me a little bit more about your
5 thoughts on that? I mean one thing that you mentioned with
6 Commissioner Williamson was that you know, it was your
7 understanding that the U.S. producers typically don't sell
8 through distributors, is that right?

9 MR. BARTLETT: No, they typically, per their
10 testimony they do, but they do have a business that they
11 deal directly with the end user on as well.

12 COMMISSIONERS KEARNS: Okay.

13 MR. BARTLETT: And typically, those are larger
14 projects, the larger.

15 COMMISSIONER KEARNS: Larger projects when
16 they're direct, right, and some of that's going to be the
17 customized?

18 MR. BARTLETT: Yep.

19 COMMISSIONER KEARNS: Product.

20 MR. BARTLETT: Exactly.

21 COMMISSIONER KEARNS: Right, so but doesn't that
22 lead us to the conclusion that yeah, there's going to be
23 longer lead times when U.S. producers are selling customized
24 product but when we're talking about commodities sales, it's
25 probably not just a long lead time, no?

1 MR. BARTLETT: No, their production, I'm
2 assuming, is slotted similarly whether they're making
3 whatever beam or whatever type of component. They often
4 quote the distributors with the 50 plus daily lead time, so
5 regardless of the scope of work. They don't have different
6 lead times for different types of products in my opinion.

7 COMMISSIONER KEARNS: So, you're saying you think
8 that a U.S. producer, even selling to a distributor
9 commodity type product, that that lead time is probably not
10 that different from any other?

11 MR. BARTLETT: Correct, I believe that yes,
12 absolutely.

13 COMMISSIONER KEARNS: Okay, and what is that view
14 based on? I mean how would you know that.

15 MR. BARTLETT: At one point I used to sell racks
16 from these U.S. producers.

17 COMMISSIONER KEARNS: Oh.

18 MR. BARTLETT: So, I'm very familiar with getting
19 a quote from them.

20 COMMISSIONER KEARNS: Okay, so you were a
21 distributor for --

22 MR. BARTLETT: Yeah.

23 COMMISSIONER KEARNS: Okay, that's a good answer
24 I take it. Okay.

25 MR. MENEGAZ: If I just made add to recall Mr.

1 Bartlett's earlier testimony, that he said although many
2 sales are through distributors, those distributors often do
3 not stock. And when they do stock, their level of stock is
4 actually very low compared to his. And that's why we're
5 seeing a pervasive high lead time in the staff report for
6 the U.S. producers.

7 COMMISSIONER KEARNS: Okay, okay, interesting.

8 MR. BARTLETT: They're stocking distributors is
9 to my knowledge, a very, very small portion of their
10 business.

11 COMMISSIONER KEARNS: Okay, but that's not what
12 we heard this morning from them, is it? I thought they --

13 MR. BARTLETT: That's correct.

14 COMMISSIONER KEARNS: Okay, okay, thank you.

15 This just to turning back to import coverage and my
16 apologize since I know you addressed this in your opening.

17 I know you discussed this generally in your opening, but
18 have your

19 Chinese steel rack suppliers -- your clients, Chinese steel
20 rack suppliers submitted foreign producer questionnaires to
21 the Commission, do you know?

22 MR. MENEGAZ: Well, you know, we represented Dong
23 Sheng, that is a supplier to UMH.

24 COMMISSIONER KEARNS: Okay.

25 MR. MENEGAZ: But we also see that the other

1 major foreign producers that were initially ranked in the
2 highest level by the Commerce Department, also supplied
3 their foreign producer questionnaires.

4 COMMISSIONER KEARNS: Okay.

5 MR. MENEGAZ: So, that's why we've said that we
6 think that the Commission has the largest, or almost all of
7 the largest suppliers from China in the data currently.

8 COMMISSIONER KEARNS: Okay, but Mr. Bartlett, do
9 you have suppliers other than Dong Sheng, I guess?

10 MR. BARTLETT: No.

11 COMMISSIONER KEARNS: No, okay. Okay, alright,
12 so that answers the question, thank you. If I heard you
13 right earlier, I think you suggested that you only sell
14 complete sets. You don't sell components, is that right?

15 MR. BARTLETT: That is to a degree, if somebody
16 has installed racks and they'd like to add more levels we
17 will like sell them beams.

18 COMMISSIONER KEARNS: Okay.

19 MR. BARTLETT: But we do not sell just uprights
20 only for the same reason as the Petitioners. We don't want
21 them to use our uprights with their product.

22 COMMISSIONER KEARNS: Uh-huh, and you don't sell
23 beams only unless it's to extend --

24 MR. BARTLETT: Add more levels to the racks.

25 COMMISSIONER KEARNS: Add more levels, okay, and

1 you think that that's represented -- that your experience is
2 representative of others in the --

3 MR. BARTLETT: Yeah, yes.

4 COMMISSIONER KEARNS: Okay.

5 MR. BARTLETT: Going back to interchangeability,
6 they don't really work well together. They have different
7 tolerances and different punches and things that they don't
8 sit in as easy as the Petitioners claim to be.

9 COMMISSIONER KEARNS: Okay, so why, you know our
10 data show that most imports -- subject imports come in as
11 components, not as sets. Do you all have any thoughts on
12 that?

13 MR. BARTLETT: The U.S. producers also produce as
14 components, so everything is produced as components, and
15 shipped as components and when it's assembled by the site
16 once the installation team onsite to create that set.

17 COMMISSIONER KEARNS: So, you're saying to the
18 extent that we see differences, you know, I mean our data
19 seem to show that subject imports are components, more than
20 not versus on the U.S. side the opposite. That's sort of an
21 artificial distinction.

22 MR. BARTLETT: Yeah, I don't personally
23 understand the difference between the two.

24 COMMISSIONER KEARNS: Okay.

25 MR. BARTLETT: Because to make a set you need

1 components.

2 COMMISSIONER KEARNS: Yeah, right.

3 MR. BARTLETT: So, to me there's no -- it's not
4 possible.

5 COMMISSIONER KEARNS: Yeah, okay. Okay, let's
6 see here. I want to ask you about pricing your raw material
7 costs. Have you increased your prices for steel racks to
8 cover increases in raw material costs? Has your firm
9 implemented raw material surcharges on its steel rack prices
10 and are those surcharges still in effect?

11 That's typically a question you might think we'd
12 be asking for U.S. producers, but I don't know if there's
13 any increases in --

14 MR. BARTLETT: I mean we haven't -- it would be
15 more of a 301 Tariff increase surcharge that we're charging
16 our customers.

17 COMMISSIONER KEARNS: Yeah, okay. Okay. Alright,
18 I only have one other question about -- for the threat side
19 of the case relating to Australia and anti-dumping measures.
20 To what extent will Australia's anti-dumping measures on
21 steel racks cause Chinese exporters to divert steel racks to
22 the United States in the near future?

23 MR. MENEGAZ: We don't have any direct knowledge
24 of that -- the answer to that question.

25 COMMISSIONER KEARNS: Okay, you haven't heard

1 anything in the -- and I guess that would be for you, Mr.
2 Bartlett, you haven't heard anything?

3 MR. BARTLETT: No, not that I'm aware of.

4 COMMISSIONER KEARNS: Okay.

5 MR. BARTLETT: I believe it's a very small market
6 in Australia, so I don't know how much excess China would
7 have because of that, but I mean it's something we can
8 definitely look into and respond in our brief.

9 COMMISSIONER KEARNS: Okay, okay, I appreciate
10 that. I have no further questions right now, thank you.

11 CHAIRMAN JOHANSON: So, we've heard about certain
12 differences between Chinese product and U.S. product such as
13 longer lead times. Are there any quality differences
14 between subject imports and the domestic byproduct?

15 MR. BARTLETT: I know, I'm sure everybody
16 besides, I mean me, and the Petitioners would all say our
17 products is the best in the room, but realistically I don't
18 think there's too many. I forgot the question, sorry.

19 CHAIRMAN JOHANSON: Are there any quality
20 differences between subject imports and the --

21 MR. BARTLETT: Not that I'm aware of. I mean I
22 believe there's some characteristics of looking differently,
23 but quality I think they're pretty even.

24 CHAIRMAN JOHANSON: Okay.

25 MR. MENEGAZ: Could I just add?

1 CHAIRMAN JOHANSON: Yeah, certainly.

2 MR. MENEGAZ: Because what he said before is the
3 way they've designed their racks, including the bolt on
4 option, you know, the way they use the bolt on, which she
5 says is representative of all the Chinese products.

6 That gives them an advantage in the freight and
7 the shipping and all that is obviously not captured in the
8 questionnaire, but it has to be factoring into the ultimate
9 purchaser's considerations because they're looking at their
10 overall cost, not just the FOB landed costs of a product.

11 So, he feels that although the racks will all
12 stand and hold the same rough capacity, that there are
13 design features of his product that could be considered a
14 quality superiority overall.

15 CHAIRMAN JOHANSON: Okay, so the end product I
16 think you're citing would be the same, it's just that there
17 are different features that make them more attractive to
18 import?

19 MR. BARTLETT: They would hold the same weight
20 and capacity in theory, but there's different ways of
21 getting them there.

22 CHAIRMAN JOHANSON: Okay, I understand, thanks.
23 As far as you all are aware, have there been difficulties in
24 fulfilling the orders or in delivering steel racks from
25 China on time?

1 MR. BARTLETT: From -- no, not that I'm aware of.
2 Most of them like we stated, is sold from inventory. And at
3 that time, we know exactly what inventory we have on hand,
4 so we either can or can't make the sale to the client at
5 that time.

6 CHAIRMAN JOHANSON: And what is the lead time
7 needed to deliver imports of steel racks from China to
8 purchasers in the United States? Is that moot because of
9 the large inventories?

10 MR. BARTLETT: It's mostly moot, I would say our
11 supply from China to our warehouse takes roughly 6 to 7
12 weeks to get.

13 CHAIRMAN JOHANSON: Okay.

14 MR. BARTLETT: Which is still faster than most
15 U.S. producers.

16 CHAIRMAN JOHANSON: Okay, well that concludes my
17 questions. I appreciate you all being here today.
18 Commissioner Williamson?

19 COMMISSIONER WILLIAMSON: Okay, just two
20 additional questions. If you look at the Petitioner's
21 Exhibit 8, you're looking at the parsing data you see only
22 one firm, and that shows quite a different pattern in terms
23 of underselling and so I'd like you to comment on that and
24 also you particularly think about size of market as the
25 firm.

1 MS. PERKINS: Yes, Susannah Perkins, ECS, I'll
2 comment on that post-hearing.

3 COMMISSIONER WILLIAMSON: Okay, thank you. If
4 you turn to page 2 of your pre-hearing brief that a
5 significant producer in China has lost it's RMI mark, is
6 there any substantiation of this in the record?

7 MR. BARTLETT: Could you repeat the question
8 please?

9 COMMISSIONER WILLIAMSON: Okay, I guess on page 2
10 of your pre-hearing brief, you claim that a significant
11 subject producer in China has lost its RMI mark?

12 MR. BARTLETT: Yeah, that would be Nanging
13 Hauday. They dropped out and lost their RMI certification.

14 COMMISSIONER WILLIAMSON: Okay, do you have any
15 independence of a certification of that? Is there any, I
16 guess, I don't know what that --

17 MR. BARTLETT: It should have been on the
18 website, so they're listed on the website or they're not.

19 COMMISSIONER WILLIAMSON: Okay, thank you. How
20 difficult would it be for them to regain that certification?

21 MR. BARTLETT: When we gained it, it took us over
22 a year, and it cost us over \$50,000.

23 COMMISSIONER WILLIAMSON: To get it the first
24 time?

25 MR. BARTLETT: Yeah, the first time, sorry, the

1 process to the best of my knowledge it would just be
2 repetitive of the same first step.

3 COMMISSIONER WILLIAMSON: Okay, are there
4 producers in China that have the mark that are not currently
5 exporting to the United States?

6 MR. BARTLETT: Not that I'm aware of.

7 COMMISSIONER WILLIAMSON: Okay, fair enough, no
8 further questions. I'd like to thank the witnesses for
9 their testimony.

10 CHAIRMAN JOHANSON: Commissioner Broadbent?

11 COMMISSIONER BROADBENT: Okay, for the
12 post-hearing if you could just answer -- I know we've been
13 around this question before, but how we can separate the
14 post-petition of fact from the effects of the Section 301
15 Tariff. If the volume of the subject imports was lower in
16 2019 as a result of the Section 301 Tariffs, can we place
17 less weight on this value -- on this data within our present
18 injury analysis. I'm asking just to address that
19 comprehensively, that'd be helpful.

20 I have one question, let's see. Mr.
21 Malashevich, you divided, when you started out you talked
22 about the but for analysis and divided it into four tests.
23 And I was not quite following what you were saying about
24 capacity utilization -- how that factor specifically would
25 impact the outcome of this case?

1 MR. MALASCHEVICH: Well the -- I think in the
2 theory involved as far as I can interpret simply from
3 reading the relevant opinions is that in applying the "but
4 for" test, these four elements were applied most frequently.
5 On some occasions there were other factors, but most
6 frequently -- that seemed to be the common threads across
7 the various investigations.

8 And the theory is that one test is did the
9 industry have the physical capability to expand production
10 and but for the presence of the subject imports? And the
11 point of my testimony is that the capacity utilization rates
12 reported for this industry in this case, are respectable for
13 industries -- fabricated metals, generally.

14 Because unlike a steel mill, they are not capital
15 intensive by their nature, they're material intensive. And
16 so, their profitability is much less affected by any
17 particular level of capacity utilization and we did a
18 calculation to point that out using an income statement
19 model which the details are in our brief.

20 So, in general, changes in capacity utilization
21 rates don't make a big difference in this industry and in
22 absolute terms, they're very similar to what I've seen in
23 any number of Commission investigations involving fabricated
24 steel products.

25 But also significant is that in -- during the

1 morning session, there is a direct question, forgive me I
2 forget by whom, so what -- I think it was you, Commissioner
3 Williamson. So, what is you know, a respectable capacity
4 utilization rate in this industry?

5 And none of the witnesses answered the question.
6 So, I guess that tells me it isn't important. And the
7 particular rates reported in this case as indicated in the
8 staff report, among those four factors should be given
9 little weight. But there seems to have been a constraint on
10 wherever capacity is in this industry during the POI because
11 of restrictions on distribution, geographically, the policy
12 among certain producers not to sell to a distributor in the
13 same territory as an existing distributor already being
14 supplied.

15 I think that in effect, constrains capacity to
16 expand production and shipments, whatever the utilization
17 rate is. And also, again I have to be very careful, but
18 there -- in our brief, there is a page of the staff report
19 that's entirely APO, but it shows capacity and capacity
20 utilization rate by individual producers.

21 And I have to be very careful, but there are
22 certain producers that are operating at an extremely high
23 rate of capacity utilization and that suggests in theory
24 that they are among the most competitive producers.

25 So, if their capacity is constrained, the whole

1 system is constrained in expanding production, but for the
2 presence of subject imports. But we have a calculation that
3 involves this income statement model which the Commission
4 has used on some regularity in the past, and we're saying
5 even if the domestic industry had gotten all the share
6 allegedly lost to the increase in subject imports, its
7 impact on profitability would have been minimal.

8 So, the test concerning the industry's capability
9 to expand production in this case deserves little weight.

10 COMMISSIONER BROADBENT: Okay, thank you, I
11 appreciate the explanation. Miss Perkins, you cite
12 purchaser data stating that most purchasers consider
13 delivery time as very important, but if you use this data,
14 shouldn't you use Table 2-10 to assess whether subject
15 imports outperform the domestic industry with respect to
16 this very same factor of delivery time?

17 This Table shows that 14 out of 19 purchasers
18 considered the domestic product to be comparable or superior
19 to subject imports with respect to delivery time. Doesn't
20 this liken your argument on delivery time?

21 MS. PERKINS: I think that it's inconsistent with
22 the data on lead times presented at page 2-14 from the
23 importer questionnaires which pretty clear state that the
24 subject product is getting to its customers faster.

25 I can't really explain it beyond that, but I

1 think that we have data throughout the record stating that
2 the domestic product is getting to its customers faster than
3 the -- sorry, the subject product is getting to its
4 customers faster than the domestic product, so that's great.

5 COMMISSIONER BROADBENT: Okay, great got it.
6 Alright, that concludes my questions. I appreciate all your
7 testimony.

8 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

9 COMMISSIONER SCHMIDTLEIN: I just had a couple
10 follow-up questions since Mr. Bartlett you are an importer
11 and a distributor. And I know you just testified a few
12 minutes ago in response to some question that it usually
13 takes 6 or 7 weeks for you to get the product from the
14 foreign producer in China. So, are you buying from an
15 exporter in China or the producer directly?

16 MR. BARTLETT: The producer directly.

17 COMMISSIONER SCHMIDTLEIN: You are, okay. And
18 when you buy, do you place your -- do you place an order
19 with them for something, or do you buy out of their
20 inventory?

21 MR. BARTLETT: We place an order with them.

22 COMMISSIONER SCHMIDTLEIN: You place an order,
23 okay and that generally takes 6 to 7 weeks you said?

24 MR. BARTLETT: To get to our warehouse, yeah.

25 COMMISSIONER SCHMIDTLEIN: For you to get it,

1 okay. So, do you have -- and then you sell out of your
2 inventory?

3 MR. BARTLETT: Correct.

4 COMMISSIONER SCHMIDTLEIN: Okay, and do you have
5 customers that you're selling to -- I assume you're not
6 selling to other distributors?

7 MR. BARTLETT: We do sell to some others.

8 COMMISSIONER SCHMIDTLEIN: Oh, you do sell to
9 other distributors, okay.

10 MR. BARTLETT: Yeah, about 30% of our business.

11 COMMISSIONER SCHMIDTLEIN: Okay, and are those
12 distributors, do you know, are they also buying from U.S.
13 producers?

14 MR. BARTLETT: I don't know for sure, but I
15 assume so.

16 COMMISSIONER SCHMIDTLEIN: Okay, okay that's -- I
17 didn't expect that but alright. In addition to those, do
18 you have other, or maybe those customers, do you have
19 customers coming to you and placing orders with you for made
20 to order product for specific projects -- and I apologize if
21 you've already answered this.

22 MR. BARTLETT: No, no problem. Usually, if we
23 have that it's just that they want custom colors.

24 COMMISSIONER SCHMIDTLEIN: It's that they just
25 want custom colors, okay, I do recall you mentioning

1 something about that, okay.

2 MR. BARTLETT: Because we don't charge for custom
3 colors, we can give the customer any color we want -- or
4 they want, for no additional charge and to my knowledge the
5 U.S. producers charge extra because it interrupts their
6 production runs.

7 COMMISSIONER SCHMIDTLEIN: Okay, and so in
8 addition to other distributors, what types of purchasers do
9 you sell to? Who are the -- not names, but just what types
10 of?

11 MR. BARTLETT: End users, and all types of
12 industries really.

13 COMMISSIONER SCHMIDTLEIN: So, whoever is going
14 to be --

15 MR. BARTLETT: Whoever needs a warehouse.

16 COMMISSIONER SCHMIDTLEIN: Putting up the racks.

17 MR. BARTLETT: We're not --

18 COMMISSIONER SCHMIDTLEIN: Okay.

19 MR. BARTLETT: Whoever has the warehouse.

20 COMMISSIONER SCHMIDTLEIN: Okay, okay.

21 MR. BARTLETT: And needs room.

22 COMMISSIONER SCHMDITLEIN: Okay, okay alright,
23 thank you very much. I don't have any further questions.

24 MR. BARTLETT: Thank you.

25 CHAIRMAN JOHANSON: Commissioner Kearns? Do any

1 Commissioners have further questions, no Commissioners do.

2 Do staff have any questions for this panel?

3 MR. BORISSON: Thank you, Mr. Chairman, Stamen
4 Borisson, Office of Investigations. Staff has two follow-up
5 questions.

6 CHAIRMAN JOHANSON: Alright.

7 MR. TSUJI: Thank you Mr. Chairman, for the
8 record, Karl Tsuji, the commodity industry analyst for this
9 investigation. And for the afternoon panel I have two
10 separate sets of questions. First of all, for Mr. Bartlett
11 who was very good to bring in samples of both the
12 domestically produced product as well as the imported
13 subject product.

14 Mr. Bartlett, as far as you're aware, do all the
15 Chinese producers of steel racks produce the bolted upright
16 columns or is it -- or does some also weld the horizontal
17 and vertical bracing to the vertical columns?

18 MR. BARTLETT: Ryan Bartlett with UMH. To my
19 knowledge all of the imports coming from China are the
20 bolted connection. If they were the welded connection, they
21 would not be able to be transported and sold at a reasonable
22 cost that customers would pay.

23 MR. TSUJI: Okay, thank you. The next part of
24 my question be as far as you're aware, the domestic
25 producers all produce strictly the welded vertical columns

1 -- when I say welded, meaning that the vertical columns have
2 welded bracings, both horizontal and diagonal, or do some
3 also have a bolted feature?

4 MR. BARTLETT: Ryan with UMH. To my knowledge, I
5 believe all of them produce a welded column to bracing. At
6 least all of the ones that are part of the 9 -- part of this
7 petition.

8 MR. TSUJI: Okay, and as far as you're aware,
9 what about the Mexican producers?

10 MR. BARTLETT: They produce both, Interlay
11 Mackilux produced a bolted upright and brace and Frazier
12 produces a welded one.

13 MR. TSUJI: Okay, thank you very much,
14 particularly for those most detailed responses. And I also
15 invite the Petitioners to respond to these questions as
16 well, particularly regarding the domestic producer's rack
17 components. And now the question from this morning, I
18 would also like to ask of the responding panel this
19 afternoon.

20 In your -- this would be more for Mr. Menegaz as
21 well as -- in your post-hearing brief we would appreciate if
22 you could provide your assessment of the extent of overlap
23 in the scope of the subject products, subject to the --
24 well, this investigation of steel racks as well as
25 Australia's investigation of what they refer to as steel

1 pellet racking.

2 When you look on page 7-9 of the Commission staff
3 report in Footnote 4, there's a very brief description as
4 well as a reference to the Australian anti-dumping
5 Commission's documentation.

6 And the second part of my second question is also
7 please include in your post-hearing brief, if you're aware
8 of any other anti-dumping countervailing duty orders or
9 investigations or even import safeguard investigations on
10 steel racks in other third country markets other than
11 Australia. Thank you very much.

12 CHAIRMAN JOHANSON: Do Petitioners have any
13 questions for this panel?

14 MS. DRAKE: Petitioners have no questions.

15 CHAIRMAN JOHANSON: Alright thank you. Then
16 before I dismiss this panel, I would like to note that with
17 regard to time remaining, Petitioners have 16 minutes of
18 direct, 5 minutes of closing for a total of 21 minutes.
19 Respondents have 13 minutes of direct, 5 minutes of closing
20 for a total of 18 minutes and this panel is dismissed while
21 we prepare for the Petitioners and then Respondent's
22 rebuttals in closing.

23 Thank you all for appearing here today.

24 MR. BURCH: Closing and rebuttal remarks on
25 behalf of Petitioner will be given by Elizabeth J. Drake of

1 Schagrin Associates. Ms. Drake you have 21 minutes.

2 CLOSING REMARK BY ELIZABETH J. DRAKE

3 MS. DRAKE: Thank you, Elizabeth Drake of
4 Schagrin Associates for the Petitioner, the Coalition for
5 Fair Rack Imports. I want to thank the Commissioners for
6 their attention today and for all of their very helpful
7 questions.

8 I just want to briefly go through the different
9 factors that the Commission will be considering in its final
10 determination and address some of the points that were
11 raised by those in opposition to relieve this afternoon.

12 First, with regard to interchangeability and the
13 importance of price, there was a very limited definition of
14 interchangeability that was the focus this afternoon in
15 terms of can a specific piece from a Chinese producer fit
16 into a specific piece from a domestic producer.

17 And sometimes the case is yes, sometimes it might
18 not fit as well, but that's very different from how the
19 Commission normally defines interchangeability which is can
20 you use this rack in your warehouse? Could you also use
21 that other rack in your warehouse?

22 And to that, the answer is clearly yes, and
23 purchasers agree with more than 75% reporting that Chinese
24 and domestic product are always or frequently
25 interchangeable. So, on a broad level, clearly a high

1 degree of interchangeability between imports and the
2 domestic-like product.

3 In terms of the bolted versus the welded product,
4 our understanding is that as Mr. Bartlett said, the reason
5 that the imports are welded are to save on freight costs,
6 principally freight costs from China to the U.S. because
7 it's much easier to fit them in a container if they haven't
8 yet been joined together, welded together.

9 And that may also entail some freight savings
10 once the product is in the United States, but it's our
11 understanding from our clients that those are far outweighed
12 by the additional labor that is required, so a customer may
13 have a somewhat lower freight cost for a bolted product, but
14 then once it gets to its warehouse, it needs to bolt it
15 together, and that labor totally outweighs any freight
16 savings once in the United States.

17 And that's why all of domestic product is welded,
18 because that's what customers prefer and in fact there are
19 no cases where a customer says well, I really want that
20 bolted product because I want to put it together myself in
21 my warehouse, the freight savings just simply aren't worth
22 it which is why the domestic product is welded, and that
23 doesn't attenuate competition, or it doesn't limit
24 interchangeability at all, whether it's bolted or welded, it
25 serves the same function and is used in the same end uses.

1 With regard to lead times, clearly as the
2 Commissioners noted, the purchasers do not believe that the
3 Chinese product has an advantage in terms of lead time, or
4 only 26% of purchasers reported that Chinese product was
5 superior in terms of lead time and nearly 74% reported that
6 the U.S. and Chinese products were either comparable or the
7 U.S. product was superior.

8 And this is because of the complete disconnect
9 that I hope we tried to resolve this morning, but just to
10 circle back to it. Just because more of domestic
11 manufacturers report that their shipments are produced to
12 order does not mean that that whole produced order time
13 period is what their customer needs to wait to receive the
14 product because produced to order also means produced to the
15 order of their dealers -- their distributors.

16 And once their dealers and their distributors,
17 which is the majority of sales both for domestic producers
18 and for importers, once they are holding that product, the
19 lead times are very short. And that's reflected in the
20 purchaser's responses which agree that there's no
21 disadvantage for domestic product in terms of lead time.

22 So, this is simply a fake issue that simply flows
23 from the fact that we were asking manufacturers on the one
24 hand for lead times and importers on the other -- importers
25 obviously have their own lead times with their own suppliers

1 which was just discussed.

2 Again, no quality issues -- the vast majority of
3 purchasers reporting comparable on quality, so we believe,
4 again, the record supports a high degree of
5 interchangeability and the importance of price.

6 With respect to volume, in terms of the scope of
7 the case, changing -- again we'll address that post-hearing.
8 We don't think that can fully explain the discrepancies in
9 the volumes that have been reported to the Commission, both
10 between Commerce and Commission responses, but also between
11 foreign producers, importers and reports of volume at
12 different stages of this case.

13 There is simply no support whatsoever for claims
14 that the increase in volume was due somehow to some kind of
15 mysterious scarcity or supply constraints in the U.S.
16 market. You see there is no description of where the
17 scarcity came from or why it is that domestic producers
18 would invest so much in increasing their capacity and then
19 just choose, voluntarily, not to use that capacity to
20 increase their shipments and production.

21 The idea of strict territorial limits, we already
22 talked about that this morning, that while there may be
23 preferred distributors in any particular region, any
24 customer can go to that distributor and get that product.
25 There's simply no logical reason why the domestic industry

1 would invest to increase capacity and then refuse to make
2 sales, especially as their capacity utilization rate was
3 falling.

4 So, for all those reasons, we think the volume of
5 subject imports is significant absolutely, and increased
6 clearly significantly, and gained market share at the
7 expense of domestic producers.

8 In terms of price, first of all with the
9 underselling data, we do hope that that particular importer
10 we identified could provide some more information to the
11 Commission to support the prices that it reported. We are
12 not trying to say that the Commission needs to totally
13 ignore that data in favor of the other data, but look at
14 the record as a whole, look at all of the data points that
15 suggest significant underselling.

16 And if there's one data point that seems
17 aberrational, maybe that's because it is aberrational. On
18 the level of trade -- there was a suggestion that the reason
19 purchasers reported that domestic product was higher priced
20 in the sort of qualitative answers, was because domestics do
21 more of these custom projects and less of the commodity
22 work.

23 But the product is the same. It's this product,
24 whether it's going into a custom project, or whether it's
25 going into a standard project, so the prices are pretty much

1 the same. In fact, these custom projects are so large that
2 it's often lower priced, so there's no support for that
3 being the basis of purchasers reporting higher domestic
4 prices.

5 In terms of the price suppression, we heard that
6 the reason that domestic producers weren't able to pass on
7 rapidly increasing prices was because their customers would
8 see us as being opportunistic, that the record doesn't
9 support this speculation at all.

10 You had a situation where raw material costs were
11 increasing 25% -- this is a completely transparent market.
12 Everyone knows how much the raw materials costs are
13 increasing, and unit costs are increasing 20% and they were
14 only able to pass along 6% of that through price increases.

15 That is less than half of their costs increase
16 that they were allowed to pass along. That is significant
17 price suppression, that drove their operating income margin
18 to just 1.7% in 2018, so this isn't greedy or opportunistic
19 domestic producers trying to force increases on to their
20 reluctant customers, this is a market when demand was
21 growing and they were justified in believing that they
22 should have been able to pass along those rising prices and
23 it was competition from low price imports that prevented
24 them from doing so.

25 In terms of impact -- clearly the financial

1 performance of the domestic industry has been dismal over
2 the period, especially as demand has been increasing and has
3 left them very vulnerable at the end of the period of
4 investigation. And this is not due to transfer just one
5 company.

6 You look at pretty much every single company and
7 you see declining trends. Some may decline more than
8 others, but this is clearly an industry that is hurting both
9 to a substantial degree, but also across a broad array of
10 domestic producers.

11 In terms of capacity utilization and the idea
12 that the Commission should place less weight on capacity
13 utilization, we also completely disagree with that argument
14 in that the industry was at a respectable rate of capacity
15 utilization at the end of the period.

16 They began the period at nearly 80% capacity
17 utilization rate. That's respectable, that's where they
18 began before imports came in and took market share. They
19 ended, in 2018, at only 75% capacity utilization. That is a
20 true loss as production actually declined despite their
21 growing capacity and despite growing demand. So, that the
22 Commission should place a lot of weight on the capacity
23 utilization data.

24 Finally, the issue with -- I know correlation
25 with import transit is simply untrue, that's based solely on

1 the interim period where we've discussed why imports alone
2 may not be a true reflection of import volume.

3 If you want to look for when there was
4 correlation, just look from 2016 to 2017, and look from 2017
5 to 2018, in each of those calendar years, you see a direct
6 correlation between rising imports, rising import market
7 share, and increased cost price squeeze, and falling
8 operating income from the domestic industry -- pretty strong
9 correlation throughout the period, that strongly supports a
10 finding of adverse impact.

11 And finally, with respect to threat on the growth
12 projections issue, we were able to in the afternoon, locate
13 some additional public sources of growth projections that is
14 projected to slow and even contract. These are the same
15 sources that are available to Respondents. So, we'd be
16 happy to put those on the record.

17 We believe that the foreign producer data,
18 contrary to what those in opposition to relieve said this
19 afternoon, does show that the foreign producers are export
20 oriented, and in fact were increasingly export oriented,
21 particularly on the U.S. market over the period of
22 investigation.

23 And if orders are not imposed, the U.S. will
24 continue to be a highly attractive market in the future as
25 their primary input material continues to be subject to much

1 higher duties than the steel racks themselves.

2 For all these reasons, we ask the Commission to
3 make an affirmative determination. Thank you very much.

4 MR. BURCH: Thank you Miss Drake. And closing
5 and rebuttal remarks on behalf of Respondent will be given
6 by Gregory S. Menegaz, of DeKieffer & Horgan. Mr. Menegaz,
7 you have 18 minutes.

8 CLOSING STATEMENT OF GREGORY S. MENEGAZ

9 MR. MENEGAZ: Again, Gregory Menegaz from
10 DeKieffer & Horgan. Mercifully, I will take nowhere near 18
11 minutes to do my close. Maybe since you just heard us
12 speak, I'll just address some of the points that were just
13 raised by opposing counsel.

14 The interchangeability issue was raised by them
15 saying that we were going to mix and match beams and posts
16 all over the place, and I think by the conclusion of the day
17 you found out that all the panelists have said that's not
18 what happens, that there might be some supplementing of
19 existing rack systems as a minor point, but nobody in this
20 meeting room wants to sell a part of a rack for warranty
21 reasons.

22 There are substantial barriers to that and
23 whether people are importing or producing parts at a time,
24 that's because ultimately all those parts will become
25 racking systems. So, I think that's where we were going on

1 the interchangeability.

2 Now, on the bolted versus welded, we very
3 strongly disagree with what opposing counsel just said, that
4 the costs are inconsequential. UMH does the bolting in
5 California, which is in the United States.

6 It is much cheaper than the corresponding freight
7 savings where they're able to stack and interlock all of
8 their posts and braces on a flatbed truck as opposed to
9 trying to take one of these oddly shaped, fully welded
10 parts, and stacking that on a truck.

11 And the freight savings are substantial and
12 that's why, you know, UMH doesn't really have as much of an
13 east coast presence because freight costs are very
14 substantial in this industry, and the advantage on the west
15 coast, a disadvantage on the east coast.

16 But just to say the cost -- the simple cost of a
17 simple bolting assembly outweighs the freight cost, is
18 really strongly wrong. And that is a major advantage that
19 the bolted products have in this market.

20 Now, with respect to lead times, you know, there
21 are some discrepancies in the staff report on lead times,
22 but the main conclusion of the staff report is that there's
23 a 50-day lead time for the Petitioners and 8 days for the
24 importers.

25 And so, we stand by the staff report on that and

1 Ryan Bartlett testified that even though the Petitioners
2 have distributors, they still have to produce to order 50
3 days to get them to the distributors, and the distributors
4 keep very low inventory of parts.

5 So, the importers and their distributors have a
6 huge lead time advantage. With respect to quality, if
7 you're RMI certified, you have comparable quality -- maybe
8 not exact quality, but comparable quality. And this goes to
9 the scope and volume effect issue.

10 Look at how few foreign Chinese exporters are RMI
11 certified -- very few of them, and so you don't really need
12 to look to who answered the questionnaire when, you know,
13 J.C. Penney thought they were involved in the case, or
14 whoever the other lawyers represented. You should focus on
15 the RMI listing to determine that.

16 With respect to the price effects, we would argue
17 that even if the Commission were to remove an importer --
18 and we don't think the overall record supports that, I'll
19 obviously argue that in our post-hearing brief. We would
20 still think that the -- say that the underselling record is
21 not significant, has not led to significant market share
22 changes overall, given the magnitude of the volume of the
23 market share.

24 Now, with respect to the level of trade issues --
25 we also think those are not supported by the record and

1 can't be reconstructed in the post-hearing briefs. Mr.
2 Bartlett testified that even though he's an importer and a
3 distributor, he still has a significant portion of sales to
4 other distributors, and we don't know anything about other
5 companies. So, they're really going to have to make
6 something up to develop their level of trade argument in the
7 post-hearing brief.

8 Now, on the correlation issue of -- we simply did
9 the proforma analysis to show what would happen if the
10 subject imports weren't involved, or if they were all
11 attributed to domestic parties. That's all we can do, and
12 we think it does break the causal link.

13 We would also note that importer shipments were
14 down in the 2018 period, yet, you know, the Petitioner's
15 industry has not done well in the period. You know, we know
16 that's what the data shows, if you consider those that you
17 know, reported, but we don't think the explanation is the
18 subject imports.

19 With respect to the threat, you know, I guess
20 we'll all be putting articles on the record, but you know,
21 the articles we see from the industry show robust global
22 growth through at least, I think through 2024-2026.

23 And so, and as we stated before, the Chinese have
24 a huge domestic market that is growing and the global
25 market. So, we don't see the Chinese poised to, you know,

1 deliver additional products to the United States.

2 As for the 301, certainly going forward if you're
3 looking at the next 12 to 18 months, the 25% is a massive
4 increase in those 301 Tariffs, and we can only, you know, we
5 would argue as we did in the previous case that the
6 Commission can only consider the facts at vote day, and with
7 a 25% Tariff in place, that surely even if they could sell,
8 would erase any possible injury to the U.S. industry.

9 And so, with that I conclude our comments, and we
10 appreciate the Commission's questions and time this
11 afternoon.

12 CHAIRMAN JOHANSON: Thank you again to all of you
13 for appearing here today. I will now make the closing
14 statement. Post-hearing briefs, statements responsive to
15 questions and requests of the Commission and corrections to
16 the transcript, must be filed by July 23rd, 2019. Closing
17 of the record and final release of data to parties occurs on
18 August 14th, 2019 and final comments are due on August 16th,
19 2019. With that this hearing is adjourned.

20 (Whereupon, the hearing adjourned at 3:47 p.m.)
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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Racks from China

INVESTIGATION NOS.: 701-TA-608 AND 731-TA-1420

HEARING DATE: 7-16-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 7-16-19

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice
Proofreader

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

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