In the Matter of: GALVANIZED STEEL WIRE FROM CHINA AND MEXICO

Investigation No.: 701-TA-479 and 731-TA-1183-1184 (Final)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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GALVANIZED STEEL WIRE FROM          )     701-TA-479 and
CHINA AND MEXICO                    )     731-TA-1183-1184 (Final)

Thursday,
March 22, 2012

Main Hearing Room
International Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at
9:30 a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Deanna
Tanner Okun, Chairman, presiding.

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CHAIRMAN OKUN: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation No. 701-TA-479 and 731-TA-1183 to 1884, Final, involving galvanized steel wire from China and Mexico.

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

Schedules setting for the presentation of this hearing, notice of investigation, and transcript order forms are available at the public distribution table. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the secretary before presenting testimony. I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the secretary.
Speakers are reminded not to refer in their remarks or answers to questions to business proprietary information. Please speak clearly into the microphones and state your name for the record for the benefit of the court reporter.

Finally, if you'll be submitting documents that contain information you wish classified as business confidential, your request should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters.

MR. BISHOP: No, Madame Chairman.

CHAIRMAN OKUN: Very well. Will you please announce our embassy witness.

MR. BISHOP: Our embassy witness is Salvador Behar, legal counsel for international trade, the embassy of Mexico.

CHAIRMAN OKUN: Good morning, and welcome back to the Commission.

MR. BEHAR: Thank you, Madame Chair. I'm sorry I missed you last week in another hearing, but I'm happy to see you here today. Madame Chair and members of the Commission, the government of Mexico thanks you for the opportunity to express its views on this case.
For the record, I am Salvador Behar from the embassy of Mexico, legal counsel. First of all, I would like to emphasize the concerns the Mexican Government has regarding this investigation and the merits in this case. First, there are no elements in terms of articles 3.4, 3.5, and 3.7 of the antidumping agreement to conclude that the U.S. industry is materially injured by reason of alleged dumped imports of GSW from Mexico.

The public staff report shows an improvement of the domestic industry of GSW during the analyzed period supported by the following points. A, U.S. production and related workers employed by the domestic industry and domestic producers increased from 2009 to 2011. The U.S. producers' share of the U.S. total market and the U.S. merchant increased from 2009 to 2011.

Overall, domestic producers U.S. shipments in terms of quantity increased from 2009 to 2011. U.S. producers' capacity utilization increased from 2009 to 2011. U.S. producers' gross profits on commercial sales increased by 27 percent from 2009 to 2011. All this appears in the record.

Volume analysis. The total U.S. market held by Chinese and Mexican imports remain virtually at the
same level from 2009 to 2011, plus .1 percent percentage point. In the merchant market, the share held by Chinese and Mexican imports decreased by .3 percent point from 2009 to 2011. We want to highlight that China's share of the total U.S. market decreased by 2.9 percent percentage points from 2009 to 2011, going from 6.9 to 4 percent, while the share held by Mexican imports increased by 2.9 percent percentage points, going from 7.9 in 2009 to 10.4 in 2011.

Imports of other origins decreased their market share by 2.3 percent from 2009 to 2011. Therefore, Mexico's market share just replaced the market share lost by the Chinese and other sources of imports. The same trend is evident in the merchant market.

Regarding price analysis, there is no clear evidence that China and Mexico import prices are underselling margins with respect to domestic price over the analyzed period. The underpricing analysis is based on information that is not representative since pricing data reported accounted only for approximately 12 percent of U.S. producers' commercial shipments of GSW.

Moreover, the average subject imports increased by 10 percent from 2009 to 2011. In
addition, the Commission must consider, as many purchasers stated, that one or more U.S. producers are price leaders in the U.S. market for price increases and price decreases. With regards to threat of injury, the report states that total import and exports from Mexico are projected to decrease. The report establishes that Mexican and Chinese producers have limited capacity, which they could increase production of GSW in the event of a price change. It is also mentioned that both responding Mexican producers indicated that they produce products other than galvanized steel wire on the equipment and machinery that is used to produce galvanized steel wire, and their ability to shift production from alternative products to galvanized steel wire appears to be limited. Therefore, there is no probabilities of an increase of Mexican exports in the foreseeable future. Regarding other injury factors, when the Commission analyzes all of the factors mentioned in article 3.5 of the antidumping agreement, you'll be able to distinguish that Mexican and Chinese imports are not the cause of the alleged injury, and that it can be attributed to other factors such as exports by the U.S. producers as the share of total shipments.
The Commission's report stated that some of the producers have been unable to supply GSW since January 2008, and that during that year, the one producer had to use all its production capacity to meet internal demand.

Also, it was stated that one firm wasn't able to meet the high demand from customers in a limited time frame. Importers also reported that they cannot rely on a single supplier of GSW because it is hard to know when a U.S. producer will run short on supply.

Some companies indicated that they purchase imported GSW due to U.S. producers' inability to supply the gauge or tonnage needed. In addition, the sales customers reported that it purchases of GSW from this company are due to the fact that U.S. producers are not able to supply the size of GSW it requires.

Mexico respectfully requests that the Commission considers the fact that the United States is Mexico's closest and most important trading partner. We ask the Commission to take this into account and further conclude that imports of GSW from Mexico are not the source of injury or threat thereof in this investigation.
Thank you very much, Madame Chair, and members of the Commission.

CHAIRMAN OKUN: Thank you very much for your testimony today.

MR. BEHAR: Thank you.

MR. BISHOP: Opening remarks on behalf of Petitioners will be by Frederick P. Waite, Vorys, Sater, Seymour and Pease.

CHAIRMAN OKUN: Good morning, Mr. Waite.

Make sure your microphone is on.

MR. WAITE: There it is. Good morning, and thank you, Madame Chairman and members of the Commission. My name is Fred Waite, with the law firm of Vorys, Sater, Seymour and Pease. I am here today on behalf of the Petitioners in this case.

This is the first time that the Commission has had an investigation involving galvanized steel wire, so during our testimony this morning, we will spend some time discussing the product, how it is made, and its uses. We have even brought some product samples for you to examine.

But let me say now that galvanized steel wire is a commodity product. It is sold principally on the basis of price, and producers in different countries, including Mexico and China, are able to
supply virtually identical products. There are no
significant quality or other nonprice differences that
distinguish galvanized wire made by U.S. producers and
subject imports. In other words, galvanized wire is
interchangeable regardless of source.

Galvanized wire is also sold nationwide,
whether it is being sold by the domestic industry or
by importers. As the prehearing staff report shows,
shipments of galvanized wire from China enter Customs
ports throughout the United States, and the primary
exporter from Mexico, Deacero, advertises on its web
site the various distribution warehouses it has
strategically located in the United States to cover
the entire U.S. market.

As you will hear from industry witnesses,
imports of galvanized wire from both countries are
having a negative impact on the U.S. industry
regardless of geographic or end-use market.

The period of investigation in this case
covers 2009 through 2011. As we all know, 2009 was a
recession year. Petitioners acknowledge that the
recession was a factor in their financial performance
in 2009, but imports from Mexico and China were also
significant factors.

For example, imports from Mexico increased
by 15 percent in 2009 over the prior year, at a time when overall demand was down. Then in 2010, when the U.S. industry began to see some recovery in the market, and U.S. consumption rose by 10 percent, subject imports from Mexico and China increased by 24 percent over 2009 levels. Thus, even in the depths of the recession, subject imports increased their market share, and then as demand began to recover, imports significantly outpaced the increase in apparent demand.

Looking at the import data and average unit values, China and Mexico appeared to be jockeying for position to be the lowest price supplier of galvanized wire in the U.S. market. Mexico's AUVs dropped dramatically in 2009 to a level well below those of China and the U.S., and they continued to be lower in 2010 and 2011.

In this regard, you may have noticed that this is a slightly different case on China in some respects than you may be used to seeing. Here, another import source, Mexico, was even more aggressive than China in trying to capture market share.

It should come as no surprise, therefore, that the U.S. Commerce Department this week announced
substantial antidumping and countervailing duty margins against both of these import sources. The dumping margins from Mexico ranged from 21 percent to 38 percent, and the dumping margins for China ranged from 194 percent to 235 percent. The final subsidy rates for China ranged from 19 percent to 223 percent. Imports from the subject countries have had and are continuing to have a significant injurious impact on the domestic industry. Shortly, you will hear from industry witnesses about some of the specific negative effects that these dumped and subsidized imports are having on individual companies. Most significantly, the low prices by subject imports have prevented U.S. producers from being able to raise their prices, and this has resulted in operating losses for the industry in every year of the POI, not only in the recession year of 2009.

Thank you.

CHAIRMAN OKUN: Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be by Jay C. Campbell, White and Case, and Donald B. Cameron, Morris Manning and Martin.

CHAIRMAN OKUN: Good morning, gentlemen.

You may proceed.
MR. CAMPBELL: Good morning, Commissioners, and Commission staff. My name is Jay Campbell with White and Case, here today on behalf of Deacero. For present injury, the issue is causation. Under the by-reason-of standard, it's not enough to point to subject imports and an allegedly injured domestic industry. A causal link between subject imports and the alleged industry must be found.

The record in this case demonstrates a lack of a causal link between imports of galvanized steel wire from China and Mexico and the domestic industry's performance. Throughout the period of investigation, the domestic industry achieved gains in output, capacity utilization, sales, market share, number of workers, hourly wages, and capital expenditures, regardless of whether subject imports were rising or declining in volume.

The domestic industry's profitability was up and down during the POI, but again exhibited no correlation with subject imports. Quite the opposite. The U.S. industry's profitability improved as subject imports increased in volume and worsened as subject imports decreased in volume.

The Petitioners' case boils down to price suppression. That's where they tried to show a link
between subject imports and harm to the U.S. industry. But the record reveals a lack of any significant link. The domestic industry's cost-to-price ratio decreased as subject imports rose in volume and market share, and increased as subject imports fell in volume and market share.

Based on the lack of a causal link, subject imports are not a significant cause of harm to the U.S. industry. Instead, subject imports play a complementary role, enabling purchasers to mitigate the risks of U.S. supply disruptions and to obtain product when U.S. producers are unable or unwilling to provide the desired quantities of specifications.

The absence of significant harm is particularly evident in the merchant market, where head to head competition with shipments of domestic product occurs and any adverse effects from subject imports would be most visible.

The U.S. industry was profitable on commercial sales throughout the POI. On threat, the record provides ample evidence that subject imports from Mexico and China would likely compete differently in the U.S. market, including significant differences in incentives to ship to the U.S., industry size, and geographic concentration.
We therefore encourage the Commission to exercise its discretion to conduct a separate threat analysis for Mexico. Going forward, Deacero, the largest Mexican producer, plans to dramatically reduce its shipments of galvanized steel wire to the U.S. Taken together with the lack of correlation observed in the present injury analysis, this means that subject imports from Mexico do not pose a significant threat of harm to the domestic industry. Thank you.

MR. CAMERON: Don Cameron on behalf of WireCo WorldGroup. WireCo is a U.S. manufacturer of high-carbon galvanized steel wire, which is used to produce high-quality wire rope. WireCo also imports high-carbon GWS produced by its Mexican subsidiary, Camesa. We agree with the points made by counsel for Deacero, but we also urge the Commission to look at high-carbon galvanized steel wire with a content over 0.64 percent carbon content as a separate like product from low-carbon GSW.

High-carbon GSW is not interchangeable in production or use with low-carbon GSW. Rather, it is a distinct specialty product that has distinct physical properties for specialized end uses.

Imports of high carbon galvanized steel wire are limited and declining during the POI. These
imports are also at higher prices than low-carbon GSW, and these imports don't compete with low-carbon GSW. The limited and declining volumes of high-priced, high-carbon galvanized steel wire are not causing or threatening material injury to the U.S. industry. However, these imports are vital to WireCo's domestic manufacturing because it complements WireCo's domestic production of high-carbon galvanized steel wire for captive use. We urge the Commission to look carefully at this issue. Thank you for your time.

CHAIRMAN OKUN: Thank you.

MR. BISHOP: Would the first panel, those in support of the imposition of antidumping and countervailing duty orders please come forward and be seated? Madame Chairman, all witnesses have been sworn.

(Pause.)

CHAIRMAN OKUN: The panel looks like they're ready to go. Mr. Waite, you may proceed.

MR. WAITE: Thank you again, Madame Chairman. Once again for the record, my name is Fred Waite, on behalf of the Petitioners. With me from my firm of Vorys, Sater, Seymour and Pease are my colleagues, Kimberly Young and Sutton Meagher. Also
with us today is Dr. Patrick Magrath. We have provided some samples, as I mentioned in my opening remarks, for the Commission to view during the testimony. We have also provided those samples to Respondents. We will begin our presentation this morning with Peter Cronin of the Heico Wire Group.

MR. CRONIN: Good morning. My name is Peter Cronin, and I am corporate vice president of sales and marketing in the United States for the Heico Wire Group. Two of the wire companies in our group, Davis Wire Corporation and National Standard, are domestic producers of galvanized steel wire, Petitioners in this case.

I have a total of over 40 years of experience in the steel and wire industry. I have been in my current position with the Heico Wire Group for the past seven years. Previously, I was president of Industrial Wire, Industrial Alloy, and Golden State Nail Companies, all of which were operating units of Tree Island Industries.

Before that, I was the executive vice president of Davis Wire Corporation for five years. I spent 11 years with Davis Walker, which was the predecessor of Davis Wire. I also served as president
Davis Wire has three production facilities to make galvanized wire. They are located in Irwindale, California; Kent Washington; and Pueblo, Colorado. Our Irwindale plant has three galvanizing lines, although only two are currently working full time. Our Pueblo facility has two galvanizing lines, with only one in operation, and our Kent plant has one line.

Heico also has one galvanizing line at National Standard, which is located in Niles, Michigan. From these plants, we are able to supply galvanized wire to customers throughout the United States. All these facilities draw steel wire rod into wire, and then pass the wire through molten zinc in order to produce galvanized wire. The process is known as hot-dipped galvanizing, and all of our galvanizing lines use this process.

All of our galvanizing lines are state-of-the-art and very cost efficient. Galvanized wire is sold primarily on the basis of price. Because of the low prices from China and Mexico, we have had to sell galvanized wire at extremely low prices to be competitive. Even during the recent recession, imports of galvanized wire from China and Mexico have
escalated. During the past few years, Deacero, which is the primary producer in Mexico, has kept up the pace in the U.S. market, increasing their volumes and dropping their prices.

The Mexican and Chinese producers make and sell the whole range of galvanized wire products. Frequently, they resort to what we call cigar box accounting and pricing. That is, they base their pricing solely on the costs of wire rod and zinc, totally disregarding the diameter, weight, zinc coating, and grade.

As a result, 10-gauge and 18-gauge wire could be of similar prices, despite the fact that the amount of direct labor to produce these gauges is very different. One hundred pounds of wire converts to 660 yards of 10-gauge wire, whereas the same 100 pounds of wire converts to more than 6,000 yards of 18-gauge wire. It takes a great deal more labor time to draw 6,000 yards than to draw 660 yards.

Galvanized wire is offered and sold in a number of different packages or configurations. Typical are tubular stands, spools, and bundles. The packages can also be of various weights, ranging from a few hundred pounds to 2,000 or 4,000 pounds.

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

Fencing is a significant market for galvanized wire in the U.S., and suppliers of galvanized wire from Mexico and China are constantly reducing their prices for this application. Vineyard wire is another product made from galvanized wire. This is the wire used by vineyards for tying up the grape vines. And it is obviously an important product for us on the West Coast. This has become a big import item from both China and Mexico. Another common use of galvanized wire is in the recycling industry. Baling wire, which is galvanized wire, is used to produce bale ties for securing cardboard and other materials to be recycled. Here too, imports from China and Mexico have aggressively dropped their prices to increase market share.

We have recorded lost sales and lost revenue for all of these products as a result of low-priced offers to our customers from China and Mexico. As a result of the very low import pricing, we have been
unable to invest in our galvanizing operations or expand our capacity. Our board would never consider a proposal to bring on new capacity when we have two galvanizing lines that are shut down.

If this case is successful, we plan to restart these lines. But we cannot justify the new capital required to restart them when imports from Mexico and China are streaming into the U.S. and keeping prices down. We also have limited our capital expenditures over the last several years to repairs and maintenance. These expenditures are required simply to keep the galvanizing lines running. We're not spending any money on new capacity or new product development.

In some cases, the import prices for galvanized wire are lower than our full variable costs. This has forced us to import some products from China instead of making these products in order to stay competitive. We do a make-or-buy analysis, and for some products, we can buy it cheaper than we can make it. So in order to compete in the market with a finished product, we choose to import the products. Obviously, we'd prefer to make all our products in the U.S.

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

During the period of investigation, even when our costs and prices fluctuated, the galvanized wire from China and Mexico has always been cheaper. As a result, we have been unable to raise our prices, even when we receive rod and zinc price increases from our suppliers. This has drastically depressed our margins.

If the imports from China and Mexico continue at these low prices, which in many cases are below our costs, we will continue to lose money and incur financial hardships. Eventually, without relief under our trade laws, we will have to close galvanizing lines at Davis Wire and National Standard and lay off employees at those facilities.

Thank you very much.

MR. WAITE: Our next witness is David Weinand, from Oklahoma Steel and Wire Company.

MR. WEINAND: Good morning. My name is David Weinand, and I am here on behalf of Oklahoma Steel and Wire Company. We are also one of the Petitioners that filed trade cases against galvanized
wire imports from China and Mexico. Oklahoma Steel and Wire is located in Madill, Oklahoma, and it has two related companies that also produce galvanized wire, Iowa Steel and Wire, in Centerville, Iowa, and Southwestern Wire in Norman, Oklahoma.

We have three galvanizing lines at Oklahoma Steel and Wire, and two lines each at both Iowa Steel and Southwestern Wire. All these lines are for hot-dipped galvanizing. We are a family-owned business, and one of the largest producers of galvanized wire in the United States. We employ over 550 American workers in our three wire facilities.

I joined Oklahoma Steel and Wire in 1988, when I was hired as their first HR manager. In 1996, I became the executive vice president of both Oklahoma Steel and Iowa Steel. In addition to these positions, I am also president of Southwestern Wire, and I serve as vice president of Mid America Steel and Wire Company. Mid America Steel is our affiliated wire rod mill, and is also located in Madill, Oklahoma.

Our rod mill has been in operation since 2004, and it supplies the wire rod input for each of our wire companies. We also sell wire rod to the commercial market. The galvanized wire that we produce is sold into the open market, as well as used
internally to make downstream products. The vast
majority of the galvanized wire sold to the outside
consumer market is sold by Iowa Steel and Southwestern
Wire.

The bulk of our commercial galvanized wire
sales falls in the diameter range of 6 to 17 gauges.
Six-gauge has a diameter of .192 inches, and our 17-
gauge wire has a diameter of .054 inches.

We also make galvanized wire with various
carbon contents. While there is no one standard
definition in the industry for low-carbon and high-
carbon, Oklahoma generally considers a carbon content
of .45 percent or more to be high carbon. We make
high-carbon and low-carbon galvanized wire on the same
equipment, using the same general processes.

For example, we use mechanical descaling in
the production of both high-carbon and low-carbon
wire, and we use calcium and sodium-based lubricants
for both. High-carbon galvanized wire can also be
produced utilizing an annealing process, just like
low-carbon galvanized wire is.

One point that I wanted to emphasize is that
galvanized wire is made to meet a specific requirement
for the end-use application, and carbon content is
just one of several factors that must be considered.
Other factors include diameter size, tensile strength, and coating weight. Our industry makes galvanized wire products with all the various combinations of these factors, and we all produce products along the continuum of products.

Our companies also make finished goods from galvanized wire, and our product lines are focused in the fencing markets, which include agricultural, commercial, and industrial fencing; the construction market, with wire reinforcing products as an example; and the recycling market.

We also have customers in the lawn and garden and consumer products sectors. We internally consume galvanized wire to make products such as chain-link fence, single-hook bale ties, tension bars, woven-wire fences, barbed wire fences, and agricultural panels, which are galvanized panels used in corrals for livestock and horses.

We also sell galvanized wire to our customers, who manufacture many different types of products like chain-link fence and bale ties for the recycling industry. They also produce many consumer products, such as paper clips and tomato cages. Vineyard wire is another type of galvanized wire that we sell to customers.
We compete against imports in all of our markets, whether geographically or in terms of the end-use market. For example, we sell galvanized wire throughout the United States, and we see Deacero everywhere. Their pricing is usually the lowest offered in the market.

We also compete head to head with imports of galvanized wire from China, especially on the vineyard wire. The main factors that our customers consider when they purchase galvanized wire are price and availability. As long as the wire is available, and there has been plenty of wire available from Mexico and China, the lowest price gets the sale.

Both the diameter of the wire and the amount of zinc coating have a significant impact on the cost and therefore on the price of the product. While a larger diameter product has more steel per foot, the smaller diameter product requires more processing and a greater cost of manufacture per foot.

The coating level of the zinc affects the cost as well. A thicker coating such as a class four or five, is more expensive than a commercial or class one coating for the same diameter of wire. Also, there can be significant cost differences in applying the same coating to different diameters. For example,
it may cost $160 a ton to put a class three coating on
the 14-gauge wire, but only $90 a ton for a 9-gauge
wire.

In 2009 and 2010, we had periods of weekly
shutdowns and shortened work weeks due to a lack of
business. The recession in 2009 was certainly partly
to blame, but the low pricing on imports from Mexico
and China also impacted our sales. Our production was
lower in each year of the period of investigation than
in 2008, and our sales values did not recover to pre-
recession levels, despite an improvement in demand
last year. As a result, we reported losses on
galvanized wire throughout the period of
investigation.

You might hear claims that Oklahoma Steel
and Wire is somehow insulated from the impact of
imports because we internally consume a large portion
of our galvanized wire production. But this is simply
untrue. Our reporting includes three companies:
Oklahoma Steel, Iowa Steel, and Southwestern Wire.
Oklahoma Steel itself only sells about 1 percent of
its galvanized wire to the outside market. In the
case of Iowa Steel and Southwestern Wire,
traditionally about 40 percent of our revenue comes
from the sale of galvanized wire.
These two companies have seen significant impacts on their business due to imports, resulting in plant slowdowns and layoffs. We have never sold imported galvanized wire to our customers instead of producing the wire ourselves. We want to manufacture the product here.

Although we did buy some high-tensile galvanized from Mexico in 2010, we did that because we had started a new machine, and we needed a special supply from an outside source until we established our internal processes. This 2010 purchase was a one-time occurrence, and we are now producing the product ourselves.

Another impact of low-import prices on our business was our inability to invest in our operations, particular in Iowa Steel and Southwestern Wire. We were forced to postpone plans to install more modern wire drawing equipment, due to the downturn in business caused by imports from China and Mexico.

This new wire drawing equipment would have allowed us to expand our capacity and increase our productive efficiencies, but we could not justify such an investment in light of the market conditions. If imports from Mexico and China continue to arrive at
below our costs, then our companies will be forced to
downsize our operations. And while we would try to
continue to compete in our downstream markets, having
to abandon the galvanized wire market would force us
to right-size our business to the lower reality of the
business volume.

This will result in the need to reduce our
workforce at all levels of operations, including
production and maintenance, sales and management
personnel.

Thank you for your attention, and I would be
pleased to answer any questions you have.

MR. WAITE: Madame Chairman, our next
witness is Andy Talbot, from Mid-South Wire Company.

MR. TALBOT: Good morning. My name is Andy
Talbot, and I'm with Mid-South Wire, vice president
and general manager of operations. We are Petitioners
in the galvanized wire case against Mexico and China.

I've been in the steel wire business for
more than 20 years. I joined Mid-South in 1999, and
I've been in my current position since 2008. Prior to
Mid-South, I worked for two other wire companies with
galvanizing lines. One was an electrogalvanizing
mill, and the other used the hot-dipped process. So I
have experience with both types of galvanized wire.
Mid-South has been in operation since 1967. In addition to our facility in Nashville, we have a wire drawing plant in Scott City, Missouri. However, we produce galvanized wire only in Nashville. The galvanizing line in Nashville was installed in 2002, and it is housed in a separate building from our wire mill. When the company laid out the line, it was designed so that we could add a second galvanizing line if and when business supported it.

But market conditions have not warranted the investment in a second line, and cheap imports of galvanized wire from Mexico and China have certainly contributed to this decision.

Mid-South is predominantly a producer of low-carbon wire. We start with steel wire rod, which is our main raw material. We chemically clean or mechanically descale the rod prior to drawing it into wire. The drawing process involves a variety of machines, depending on our customer specifications for the final size, grade, tensile strength, and other properties.

Between 10 and 15 percent our wire is sent to our galvanizing operation to be hot-dipped galvanized. Mid-South produces wire sizes in the range of .072 to .283 inches in diameter. Nearly all
of our galvanized wire is produced to order. We sell very little from inventory. Our industrial galvanized -- our industrial-quality galvanized wire is used in the production of a wide range of downstream products, including poultry cages, paint can and bucket handles, bale ties, and miscellaneous wire forms. These are just some of the products that are customers produce from our wire.

Mid-South does not manufacture any downstream products from galvanized wire. We sell it all, and we sell all the galvanized wire that we produce. And our Nashville facility is strategically located on the Cumberland River, which allows us to receive our materials, raw materials, by barge. As you probably know, Nashville experienced severe flooding in May of 2010. Our galvanizing line was basically underwater for four days, and the flooding caused the molten tank of zinc to freeze.

This means that 120,000 pounds of molten zinc used for hot dipping the wire was solidified into one solid brick. After the flood waters receded, the galvanizing line had to be rebuilt. Given the market conditions and the impact of imports on our business, it may seem surprising that we incurred those costs to rebuild the galvanizing line.
It was a tough decision to make this investment. But the galvanizing line is integral to Mid-South's operations. We made the decision to rebuild primarily because of our many basic wire customers who also purchase galvanized wire, and because the galvanizing line is a significant customer to our wire mill each year.

Having the galvanizing line gives us greater purchasing power for our raw materials, and it helps us to spread out our costs and overhead expenses. Our galvanizing line was back up and in operation by November 1st, six months after the flooding. While we were down, Mid-South Wire purchased galvanized wire from other U.S. producers in order to meet our customers' needs and to minimize the impact of the flood on our customer base.

Given the impact of imports on the galvanized wire business, together with the deep recession of 2008 and '09, we found that we could buy all of the galvanized wire that our customers needed from other regional producers. We also purchased some U.S.-produced galvanized wire in early 2011 as we completed our customer recertification on the newly updated galvanizing line.

During this period, we did not import or
1 purchase imported wire from China or Mexico, not that
2 it wasn't readily available in the U.S. at very low
3 prices. In fact, we've never imported or purchased
4 imported galvanized wire.
5
6 As you might guess, 2010 was a tough year
7 for Mid-South. Our galvanizing line was out of
8 Commission for half of the year, and this seriously
9 impacted our production and our shipments. But as I
10 mentioned, we were able to purchase galvanized wire
11 from other U.S. producers to meet our customers'
12 requirements.
13
14 Last year was a better year for us. We
15 successfully completed the recertification of our
16 galvanizing line. We were able to increase our
17 production and shipments over 2010, and we even added
18 some new customers after these trade cases were filed
19 in March.
20
21 Imports from Mexico, specifically from
22 Deacero, first appeared in our markets in 2005 and
23 2006. At first, we were competing with them primarily
24 on the bale tie business, but then they were showing
25 up across the whole range of our customer base. Our
26 customers are always threatening us with import
27 pricing on these products, which forces us to lower
28 our pricing to maintain the business.
One thing that we've noticed about Deacero's behavior in the U.S. market is that their pricing on galvanized wire seems to be the same everywhere, regardless of delivery destination. They would offer the same price in Chicago as in Charlotte. When we quote a delivered price to our customers, we consider the following factors: rod costs, conversion cost to draw the rod to wire, the cost of galvanizing, plus freight, and any margin that we can negotiate.

The freight is an important part of the delivered price, and it is based on the distance to the customer. Apparently Deacero doesn't make the same cost calculation. I know that they have set up warehouses in several places in the United States, but there are still costs associated with delivering the product to those different locations.

Deacero's price always seems to be the same regardless of the diameter of the wire, even though it costs much more to produce the smaller diameter products based on the pounds per hour.

One of the questions in the Commission's U.S. producers' questionnaire asks about the negative effect of imports. For us, the impact has been lost sales and lost business, reduced margin on sales, and increased potential for selling at a loss in an effort
This leads me to a very important point about the negative effects of low-priced imports. Not only have these imports caused lost sales and lost revenues for U.S. producers, but the loss of business for our industry means higher production costs, costs due to underutilized capacity.

Let me explain. A galvanizing line is the most efficient when it runs 7 days a week, 24 hours a day. First, the temperature of the zinc tank has to be maintained to keep the zinc in a molten state whether the line is producing or it is idle. Our zinc tank is maintained at 850 degrees with natural gas burners.

Second, most galvanizing lines have an annealing furnace for heat treating the wire. The temperature in our annealing furnace is 1,400 degrees. It is also important to maintain this temperature for metallurgical purposes as the steel is being heat treated, but it's also important to maintain the temperature of the furnace. Repeated startup and cooling cycles are very detrimental to the equipment. The wear and tear on the equipment by taking it up and down and not running it 24/7 is significant.

Finally, each time you restart a galvanizing
line, a significant amount of startup scrap is generated, which increases overall production costs. What all this boils down to is when you take down a galvanizing line, for example, for a shortened shift due to reduced orders, the cost to convert increases significantly. A 30 to 35 percent reduction in production demand can increase production costs by 45 to 50 percent. The unit cost to produce sharply increases as utilization falls.

Thank you. I look forward to answering any questions that you may have.

MR. WAITE: Madame Chairman, our last industry witness is Walter Robertson of Johnstown Wire Technologies.

MR. ROBERTSON: Good morning. My name is Walt Robertson. I'm the president of Johnstown Wire Technologies in Johnstown, Pennsylvania. The mill in Johnstown was built in 1910, and until 1992 it was part of Bethlehem Steel. In January 1993, Johnstown Wire Technologies was established, and I became president of the company in November of 1998.

Previously, I was executive vice president of GS Industries, where I was responsible for all commercial activities for two rod mills and several wire companies. My first job in the steel industry
was over 40 years ago, as a sales rep for Bethlehem Steel, and that was in 1968.

Johnstown Wire is the only full-line producer of electrogalvanized wire left in North America. Our wire sizes range from .051 inch to .312 inch. Most people don't know that the process for electrogalvanizing or electroplating, as it is also called, was invented and developed in Johnstown by Bethlehem Steel engineers during the 1930s. Unlike the hot-dip process, which uses molten zinc, the plating process involves passing the wire through a zinc-sulfate solution, which is a liquid solution with zinc dissolved in it. As the wire moves through the plating solution, the bath and the wire are electrically charged, causing the zinc to deposit on the wire and form the zinc coating.

The plating process provides a smooth, even dispersion of the zinc over the surface of the wire. The speed at which the wire moves through the solution determines the final weight of the zinc coating. The slower the speed, the thicker the zinc coating.

As you can see from the samples that were passed around earlier, the zinc coating gives the wire a bright finish. It also provides corrosion resistance to protect the wire from rusting. At
Johnstown Wire, we process a tractor trailer load of zinc each week to plate onto the wire. Our facility can plate 42 strands at a time, and we can produce zinc coatings from flash coat all the way to C-coating.

There are four basic zinc coatings or weights for galvanized wire. The first and thinnest coat is called a commercial coat or flash coat. The second basic coating is known as class one. The thickness requirement of this zinc coating is based on the diameter of the wire and is measured in ounces per square foot.

The third coating is called class C coat, and generally the thickness of class C coating is three times that of class one coating. The last basic coating is class four, which is usually twice the thickness of class three coating. These four basic coatings account for the majority of the galvanized wire products. However, there are also class five and class A, B, and C coatings. Generally, these coatings represent the heaviest of the zinc coatings.

There are two main benefits of electrogalvanizing. First, by plating rather than hot dipping, it is possible to achieve heavier zinc coatings. For example, a class C coating, which is
ounces of zinc per square foot, can only be achieved using the electroplating process.

Second, electrogalvanizing results in geometrically concentric layer of zinc. This is important because it means that rod and wire can be drawn down farther after it is galvanized. As I mentioned, Johnstown Wire can produce galvanized wire with the heavier zinc coatings. These products are usually high value-added products. But they are also small volume products for niche markets. There is limited demand for these niche products, so we rely on the general galvanized wire market for the balance of our volume.

For example, we sell galvanized wire for applications in telecommunications and for electric utilities. But we also sell galvanized wire that is used in the production of staples, paper clips, fencing, and bookbinding. Unlike some of the larger U.S. producers, we do not produce any of these downstream products ourselves. We sell all of our galvanized wire that we produce.

I would note that we do not receive any premium on the bread and butter products that we produce with the electroplating process. In the last few years, we have seen a surge in imports of
galvanized wire from Mexico and China for the use in making these same general market products. I should also note that both Mexico and China export electrogalvanized wire to the United States. China has been a competitive issue for years, but since the emergenecence of Mexico as a major exporter to the United States, it has become more difficult to assemble enough tonnage to fill out our mill schedules at prices that make sense financially.

This is a critical cost issue for any galvanizing operation because they all require continuous manufacturing for maximum cost control. If your line does not run continuously, your yield costs increase, and you also incur additional startup costs every time your line is shut down and restarted.

If we continue to be unable to generate a reasonable profit margin on galvanized wire, we will not be in a position to invest in new plant and equipment. The availability of cheap imports from China and Mexico in the market has prevented us from making any planned investments in our plating operations. Our capital expenditures have been declining each year because we need to have confidence in the market in order to justify making any investments, and market conditions have not warranted
such decisions.  

The combination of unfairly priced imports in the market and the overall global recession has led to reduced business and declining prices for galvanized wire.  

Finally, I wanted to mention one final negative effect of imports from China and Mexico. Zinc and wire rod are the main raw materials in the production of galvanized wire. Rod costs fluctuate monthly based on scrap movement. The cost of zinc also fluctuates monthly, in accordance with the American Metal Market index.

We would like our prices to move up and down with rod and zinc costs, but our competition, primarily from imports, has not allowed us to do that. As a result, our metal spreads and margins have been negatively impacted.

Thank you, and I look forward to answering any questions.

MR. WAITE: Madame Chairman, our final witness this morning is Dr. Patrick Magrath.

MR. BISHOP: You have 27 minutes remaining.

DR. MAGRATH: Thank you. Good morning, members of the Commission, Commission staff, ladies and gentlemen. My name is Patrick Magrath, economic
consultant to Petitioners in this case. Today I'm
going to discuss the conditions of competition
prevailing in the market for galvanized wire in the
United States and the effect of unfair imports from
China and Mexico on the U.S. industry. I will
conclude with some remarks on threat of injury.

We are all aware of the ordeal that you have
been through in this last week or so, and that we are
the last of five hearings you have conducted in that
short time. Much of the discussion may have centered
around the recession and its effects. For the
galvanized wire industry, however, the data show the
recession to be rapidly fading into the rear-view
mirror.

The staff report notes that consumption or
total demand rose in 2010 and again in 2011 over the
recession lows of 2009, for an overall increase of
16.2 percent for the total market for galvanized wire
and 18 percent for the commercial market.

These are healthy increases, and one would
expect market participants to report rising trade and
financial indicia along with the general rise in
demand and the improvement in the market. Indeed, as
chart 1 shows, shipments of both domestic producers
and the subject imports have done just that, as has
But despite this recovery, other critical indicators the Commission considers related to prices and profits have remained stagnant, still at their low points of 2009, as if the recession was still upon us. Specifically, two indicators, both important to the Commission's analysis or customarily important to the Commission's analysis lag the trade indicators badly and are still at recession lows.

First, the industry was profitless in each year of the period of investigation, reporting negative operating profit in the so-called recovery year of 2011, as well as the recession year of 2009. And in the other year, 2010, it reported zero profits. And this is displayed on chart 2.

As you can see from comparing these two charts, chart 1 and chart 2, the level and trend of trade data, shipments, imports, consumption show improvement from the depths of the recession. Contrast these increases, healthy increases, with the operating losses reported in the period in chart 2. They appear to be from two different industries.

The other indicator that sticks out like a sore thumb is the cost of goods sold ratio, as we refer to it here in this -- in our arcane world, the
COGS ratio, COGS to sales ratio. This is an important ratio that the Commission relies on to inform itself of any price suppression that may be experienced by U.S. producers. That ratio for this industry is very high, around 95 percent for all three years of the period of investigation. It is evidence that producers cannot raise prices relative to their costs enough to achieve profitability.

The COGS to sales ratios at these levels, 95 percent, mid '90s, guarantee very low profits or even operating losses on the bottom line, again as they have in this case. Again, these very high ratios were prevalent in each year of the POI in recession and recovery. And I might note in 2008 too in the preliminary phase.

In fact, a closer look at the recovery market would show that in terms of supply for the U.S. producers, one-half of the industry report they have reduced or otherwise shut down capacity, even as demand has picked up. And you have heard much detail on that in our industry representatives' testimony today.

Although the overall demand in the market rose by over 10 percent in 2010 from 2009, capacity utilization only attained 60 percent, and in 2011, 66...
percent. Thus, in terms of supply, one-third of U.S. capacity remains idle, despite two years of increased demand. Mr. Talbot of Mid-South Corporation, who just testified, has detailed how idle capacity, especially in this industry, and especially as concerned the galvanizing line part of the process, how this increases overall costs substantially.

An overview then of supply and demand factors in the GSW market present a conundrum of an industry growing along with a growing market in some respects, but remaining stagnant at recession lows in others, those injury indicators relating to prices and profits.

The reason the domestic galvanized wire industry is before you here today is to explain the reason for this conundrum. The cause of these divergences is the volume and prices of unfair imports of galvanized steel wire from China and Mexico. In terms of volume, subject imports increased both absolutely and relative to domestic consumption in the period of investigation. Imports were about 87,000 tons in 2009 but then soared by 24 percent in 2010 just as the recovery was getting underway, which effectively squelched any chance for recovery by the U.S. industry that the favorable conditions could have
Import levels in 2011 were 17 percent above 2009 levels. In fact, they were on pace to exceed 2010 levels and would have done so if the preliminary countervailing duty determination against China in September of 2011 and the antidumping determinations against China and Mexico in early November 2011 had not intervened to stop these increases.

And this is my favorite chart, I think, of the five, is chart 3, which shows two vertical lines on the right side of the chart. It shows first Chinese imports falling off a cliff around the time that the countervailing duty margins were announced and imports from Mexico diving off a cliff exactly at the time, early November, from October to November that the dumping determinations were announced by Commerce. So, this shows the impact of the preliminary decisions by the Department of Commerce on import levels and trends. Note the huge declines following the Commerce determinations.

So, given the behavior of both China and Mexico immediately following the filing of these cases in March of last year -- and you can follow that on the left side of this chart -- in which both countries increased their U.S. shipments substantially, the
dramatic decline following Commerce's determination should not be misinterpreted as an indication that import suppliers have moderated their intent and their willingness to sell at unfair prices in the U.S. market.

The only event that is sure to moderate the injurious volume of unfair imports from the subject countries is an affirmative determination by the Commission and the issuance of antidumping and countervailing duty orders.

The pricing analysis in wire cases is difficult, given the multitude of grades, diameters, coatings, and other specifications of galvanized wire products. My sympathies go to the staff in this area. Data gathered by the staff was not helped by the fact that the staff received almost nothing from Chinese Respondents.

Data gathering has been helped in this particular case, however, by the fact that official import statistics show that 95 percent, 95 percent, of the imports from Mexico, and 70 percent of the imports from China, are of low-carbon wire rod with diameters of 1.5 millimeters or more, one 10-digit HTS number and specifically, two of those dimensions, and that carbon content.
Unfortunately, however, three of the seven products for which the Commission gathered pricing data were high-carbon products on recommendation from the Mexican Respondents. So almost half of the pricing comparisons focused on 5 percent of the import sales from Mexico.

The usable pricing comparisons for these high-carbon products was negligible. And now the counselor for Mexico and in the prehearing brief of Respondents maintain that pricing comparisons should be ignored due to the low representation of shipments in the pricing data. Oh my, oh my.

As our prehearing brief makes clear, Petitioners object to two sets of comparisons in these data, and respectfully request the staff to disallow comparing high-carbon products with low-carbon products given their natural disparity in price. And you're going to hear more about the natural disparity in price this afternoon from the representatives of WireCo and Camesa.

And we wish the Commission to examine further a few comparisons in which one high-carbon product in which Mexican prices exceeded U.S. prices by huge, unrealistic margins. If these obvious mismatches are not included in pricing comparisons,
such comparisons show that Chinese products for the
little representation that they hold undersold U.S.
products in 70 percent of total comparisons, and that
Mexican wire undersold their U.S. counterparts 77
percent of the time. Blanket underselling.

Also of note is that the average margin of
underselling by Mexican products was in the double-
digit range, deep underselling. Underselling then was
both broad and deep, and was significant for this
commodity-type price sensitive product. Price
depression and suppression is also significant.

Although Respondent's brief claims there is no price
depression, the fact is that in four of five product
comparisons -- product prices for the last quarter of
the POI, October to December 2011, were lower than
those in the opening quarter of the POI, January to
March 2009.

We want to emphasize what pricing charts --
these are from the staff report -- Roman numeral I
through Roman numeral IV tell you. And this is in
chart 4. Prices fell deeply in the second quarter of
2009, and stayed at those recessionary suppressed
levels through March 2011, before they began to
increase. Again, the key year here is 2010, as the
market showed its highest consumption and most vigor
of the three-year period.

Although the market was coming out of the recession in 2010, prices remained at recessionary levels, as you can see on this chart. When did prices start to rise? Again, there was a specific event which triggered those belated increases, the filing of these petitions in March 2011. And you can see that once again on chart 4. A review of the quarter-by-quarter pricing data will show both Chinese and Mexican pricing data moving up generally in the second, third, and fourth quarters of 2011, following the filing of these cases.

Price depression, until of course the end, where as I said, they both dove off a cliff -- price depression, if measured from the opening quarter of the POI and price suppression, especially the lack of price increases in the recovery year of 2010, is clearly evident in this chart and on the record.

Price suppression is also clearly evident from the aforementioned COGS to sales ratio, which were 95.3 percent in 2009, 94.1 percent in 2010, and 95.1 percent in 2011, the last two being the so-called recovery years for the industry. Although COGS sales ratios at these levels guarantee financial losses on an operating basis, as I've said, the fact that the
ratio declined by only 1 percentage point in 2010, with demand up 10 percent, overall demand up 10 percent, is again evidence of price suppression. Thus, the increased volume of subject imports, coupled with majority underselling of U.S. producers kept U.S. prices low in this basic industrial price sensitive product. In two of the three years of the investigation, the industry suffered operating losses, including 2011, a year in which domestic production, shipments, and capacity utilization were all well above the 2009 levels. Between those two unprofitable years and the year's highest demand in 2010, the domestic industry could only muster zero percent profitability. In a rising market, when the industry's high year is only zero percent, we feel the industry is clearly injured. The increased volume of imports, the blanket underselling by the subject imports, and the widespread price depression and suppression clearly point to subject imports as the cause of the industry's injurious performance in this three-year period.

Finally, we come to the threat issue. First, again déjà vu all over again for the Commission and staff. We must note the lack of data and
cooperation of Chinese Respondents, who are not
present at this hearing, and were not present in the
final phase of the investigation, if I may say so.

In the preliminary phase of these
investigations, 17 of 279 Chinese producers, about 6
percent of the total, provided data, although many of
these responses were incomplete. In these final
investigations, we apparently have two, just two,
Chinese producers that have answered questionnaires.
A response as limited as this does not allow any kind
of analysis of the various threat factors and frankly
puts Petitioners at a disadvantage because of the lack
of data, especially since we feel confident what that
data would show, especially in the pricing area.

You just can't extrapolate, you can't
estimate, you can't make projections of the factors
the statute requires with such a tiny sample. Vis-à-
vis China then, we are left with two points only.
First, that Commerce found significant countervailing
subsidies, countervailable subsidies, ranging up to
223 percent.

As the head of Deacero -- and, yes, it's the
same Deacero -- stated in discussing Mexico's problems
with imports from China, quote, "Competitors such as
China are subsidized in every way, shape, and form,
from currency, to labor, to taxes. So it is impossible to compete with them in terms of pricing," unquote.

The second point has to do with the one piece of data we do have that will allow us to make a reasonable estimate of the size and therefore the threat of China's galvanized wire industry, and that is chart 5. This is the one piece of data we do have. This chart is based on data presented in the staff report on China's official statistics on exports. It shows that China -- and we thank the staff for including this chart, by the way, along with the other data.

It shows that China exported 849,762 tons of GSW in 2011. That's right. This is not China's production. This is not even its capacity. It is only its exports. And as such, you can see from the chart before you, its exports alone dwarf both U.S. consumption in all three years, as well as the Chinese capacity estimates in the staff report. If this country exports almost 900,000 tons of galvanized wire per year, one can only imagine what the real capacity to produce this product is.

In light of these hard data, these few hard data, based as they are on official Chinese export
statistics, plus the low prices based on AUVs as well
as the few questionnaires received, we trust the
Commission will find China to be a real and imminent
threat to the U.S. industry going forward.

The same conclusion should be reached as to
imports from Mexico. Mexico began the period of
investigation a distant third largest import supplier
behind Canada and China, but ended as the largest
import source to the United States. How did they do
this? Individually, imports from Mexico rose 62
percent from 2009 to 2011, far more than consumption,
which rose only 16 percent in comparison.

Nor is there a secret as to how Mexico
obtained this position. And apparently, the Deacero
people did find a way to compete with China. It did
so by dramatically dropping its prices in mid-2009 to
at or below Chinese levels, and Mexico continued to
undersell both U.S. producers and Chinese imports for
most of the period of investigation.

Evidence of this aggressive pricing behavior
can be found in the broad underselling by Mexico we
have discussed above in your pricing data comparisons
as well as the AUVs of imports from that country,
which were less than those of China in 2010 and 2011,
as well as far under the average unit values of U.S.
1 products.
2 In conclusion, we agree with Deacero and the
3 Deacero representative that gave the opening statement
4 that this is a case of causation. It is a case of
5 causation. We have got to ask ourselves what is the
6 cause. Demand is up in two of the three years, the
7 latter years, of the investigation. It is even
8 characterized, I think justly, as healthy increase in
9 2010 and 2011. So it's not demand.
10 Second, there are no subject imports to
11 speak of except Canada. Those imports decline, and
12 Canada's average unit values are higher than U.S. AUVs
13 for a lot of the period. I may also say that even the
14 minor sources of galvanized steel wire declined over
15 the period.
16 Third, you can see from the summary data in
17 the staff report that U.S. productivity has increased
18 throughout the period, and it got an especially
19 healthy bump from 2010 to 2011.
20 So what is the cause? That concludes my
21 presentation. Thanks as always to the staff for their
22 efforts in publishing their report, and thanks to the
23 Commission for your attention.
24 MR. WAITE: Madame Chairman, that concludes
25 our presentation this morning.
CHAIRMAN OKUN: Well, thank you very much.
And before we begin our questions this morning, let me
take this opportunity to thank this panel of witnesses
for appearing here today. We very much appreciate the
many members of the industry who have taken time to
join us and tell us about your product and answer our
questions. And Commissioner Aranoff will begin the
questions this morning.

COMMISSIONER ARANOFF: Thank you, Madame
Chairman. Good morning and welcome to this morning's
panel. We appreciate your being here today, and we're
sorry you drew the short stick of the last of the five
hearings. We're all going to do our best.

You've said to us that domestic producers
have not been operating at very high rates of capacity
utilization during the period that we're looking at.
But there are several reports of purchasers saying
that they were unable to obtain product from domestic
suppliers. How do you reconcile those?

MR. WAITE: Commissioner Aranoff, this is
Fred Waite. I will turn that question to the industry
members on the panel after first observing that the
purchasers as a group identified price as one of the
most important and significant factors in their
purchasing decisions, and the purchasers may be saying
that they cannot purchase the product at the prices they preferred. But I think you will hear from the industry witnesses that they are ready, willing, and able to meet with any purchaser to supply product.

DR. MAGRATH: Commissioner, if I may follow up Fred's point before we turn to the industry witnesses, in general the purchasers noted comparability in terms of availability of the product in section 2 of the staff report and did not -- that the availability of both the domestic and imports was about -- was comparable.

MR. CRONIN: Yeah. As we mentioned in most of our testimonies, we do have excess capacity. Our company has three galvanizing lines at our Los Angeles area plant. We're only running two of them. To recommission the third galvanizing line would cost $4- or $500,000, and that's something we're definitely going to be considering, along with another galvanizing line in Pueblo, Colorado, once we get a positive effort on this case.

And we have plenty of capacity, and we are anxious to supply the galvanized requirements in the market.

COMMISSIONER ARANOFF: Okay. Mr. Weinand, you had mentioned making a purchase of galvanized
steel wire from Mexico. I think you said in 2010.
Was product of the type that you purchased available from a domestic producer?
MR. WEINAND: Not to our knowledge. It's a special wire that requires a specific rod source that we did not have available to us in that time frame.
So this went on for about three or four months until we could get the rod source lined up and then produce it ourselves.
COMMISSIONER ARANOFF: Okay. I appreciate that answer. And if there is any more details you want to provide confidentially in the post-hearing, that would also be helpful.
MR. WEINAND: Okay.
COMMISSIONER ARANOFF: Deacero has argued that they're marketing their product to a limited set of customers in the U.S. Is that your experience?
MR. ROBERTSON: No, no, it's not. We, of course, are the electrogalvanized producer. But as I mentioned, we really participate in the regular galvanized market as well. Our experience is whether we're working with specifically electrogalvanizing customers or whether it's some of the other markets that we definitely have to participate in, we have seen them as a very forceful presence in the
marketplace, very aggressive, really across the board. So I just don't see that that would make sense to me.

MR. CRONIN: Yeah. Peter Cronin with Heico Wire Group. Deacero competes against us on almost all of our galvanized wire products in the U.S., and we have plants located again in Michigan, Colorado, Los Angeles, and Seattle, Washington area. So we see them in all those markets.

DR. MAGRATH: Commissioner, I'd like to repeat some of my testimony, that the Deacero imports are up 62 percent over the period of investigation. And I think they've gone well beyond their affiliate, Stay Tuff, and other concerns they may own in the United States.

COMMISSIONER ARANOFF: Okay. There has been a lot of discussion about price suppression and how to look at price suppression in this case. And, of course, the statute refers to price increases that otherwise would have occurred. And so my question to you is I understand that demand was going up in 2010 and 2011, and that's a circumstance where one might say, well, price increases otherwise should have occurred.

However, given the state of the amount of
underutilized capacity that was present in the market, could that be a factor that would weigh against the Commission finding that the price increases should have occurred?

MR. ROBERTSON: Well, I think what you can assume -- and I think you've seen this in some of the testimony and the data that I've seen that clearly in 2011 our rod suppliers raised prices significantly in the first part of 2011. And we talk about price increases as I mentioned in my testimony. Obviously we're incurring those cost increases, and we would like to pass those on to our customers to maintain our spreads and margins. And when you have material in the marketplace, competitive material that doesn't recognize those price increases and really doesn't allow you to pass on these direct cost increases of rod -- by the way, zinc as also the other major commodity has fluctuated pretty dramatically. And when you find competition whose pricing is -- it just doesn't allow you to pass on these costs.

The result is significant margin suppression, and obviously lack of profitability.

COMMISSIONER ARANOFF: It's interesting to me that there are a lot of downstream steel-using industries that have built in pass-throughs for raw
material costs, and their customers just accept that that is the way the product is priced. You pass through the metals cost, and then you negotiate about the other parts of the price. And that does not appear to be the case with industry, right?

Now, you're probably paying for your wire rod with some kind of cost escalator in there. Is that right?

MR. ROBERTSON: Yes. Much of our business is -- in addition to making galvanized wire, much of our business is cold heading wire at Johnstown Wire. And we are very active in that automobile supply base. And there is a very structured market where based on the shredded -- excuse me, based on the busheling averages in different markets the AMM reports on each month, rod pricing moves up or down, and our price structure with our customers, our price to the customers, does exactly the same thing.

There really has been again a very structured marketplace developed to allow everyone to deal with these real volatile costs. I mean, scrap is a real driver in this whole conversation, and we as a nation have exported a significant amount of scrap, creating a pretty volatile scrap market. And if you're in our business, and you can't recover these
costs, it really puts you in a very difficult position.

MR. CRONIN: Pete Cronin with Heico Wire Group. We price our products, our carbon wire products, at market pricing, and we make an effort to -- when we get a rod increase, we make an effort to increase the price, but when that fails and we have to stay competitive with the market price, then we have margin compression. We have other products like stainless. We sell stainless wire. And stainless wire has a nickel surcharge mechanism which works very well.

And so the customers are used to that, and they're used to getting a fluctuating nickel surcharge on their base, and that works very well in that segment of our industry.

Unfortunately, in the carbon wire business, that mechanism isn't in place.

MR. ROBERTSON: I would note that we have a competitor, several major competitors, to our north who sell, as the record would show, a significant quantity of galvanized wire into the U.S. every month, every year, and they're not part of this conversation because they are responsible. They are very disciplined in what they do, and their price -- they
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1 really go in and sell -- try to sell on quality and  
2 service, and their pricing -- I think we can see the  
3 numbers -- are equal to or higher than the domestic  
4 market.

5 COMMISSIONER ARANOFF: Okay. Well, taking  
6 into consideration what you've said, have there been  
7 instances during the period of investigation where  
8 you've tried to increase prices or announced price  
9 increases that haven't worked out?

10 MR. ROBERTSON: Absolutely.

11 COMMISSIONER ARANOFF: Is that something  
12 that you could document in the post-hearing brief?

13 MR. WEINAND: Yes. David Weinand. Yes, we  
14 can document several price increase letters that have  
15 gone out.

16 COMMISSIONER ARANOFF: Okay. That would be  
17 very helpful. Thank you very much. Thank you, Madame  
18 Chairman.

19 CHAIRMAN OKUN: Commissioner Pinkert.

20 COMMISSIONER PINKERT: Thank you, Madame  
21 Chairman, and I join my colleagues in welcoming you  
22 today, and thanking you for being here. I want to  
23 begin with a question or two about the high-carbon  
24 galvanized wire. And in particular, I'm interested in  
25 what the market perception of that product or that
category of products is.

Is that considered to be premium product?

MR. ROBERTSON: I would say yes and no. You know, all the product we make is essentially someone is trying to make a product with galvanized wire that primarily is going to -- the key factor is corrosion resistance. That's why they want to put zinc on wire, to pay the extra money to -- and in our case, it would go into electric utilities. You can just imagine in coastal regions - anyway, there is a rationale for why people would pay extra over bright basic wire to buy galvanized wire. And you look at high carbon. It's just kind of part of a continuum. I mean, it's all about fitness for use.

The products we sell are all metallurgically based. People give us inquiries, and we basically will select the size, the grade, a thickness, a coating that would meet their application, meet the intended use. And there is many premium products that are made from low carbon. I mean, there is -- it just depends on what the application is would determine again -- I think David Weinand has listed a number of factors in any inquiry we get from any customer that would determine what we would supply them.

It's really kind of an engineering-based
decision. And for us, we -- you know, we make high
carbon, low carbon on the same equipment, in the same
plant. I don't really consider it to be any better or
worse than the other products we make and sell.

MR. WEINAND: David Weinand. I would add to
that that there can be a little bit of a cost factor
involved. But typically, a higher carbon, as you go
up the carbon range, our raw material costs will be
slightly higher from the wire rod side. So we would
be charged more by our supplier. So that's another
reason why you would see a little bit of price
differential inside high carbon typically.

MR. CRONIN: Peter Cronin, Heico Wire Group.
One last comment. There is a broad spectrum of high-
carbon galvanized wire products, all the way from low-
end vineyard wire, where the grapes really don't know
-- you know, they're fine with the high-carbon
vineyard wire that can be up to fairly broad spec, and
a ACSR wire for conductor cable, the kind of end uses
that Walt Robertson has and that we have, where it's a
fairly sophisticated product.

So there is a broad spectrum of products.

COMMISSIONER PINKERT: Thank you. Now, I
understood your testimony, Mr. Robertson, that there
would be premium products that are not high carbon
content. But just focusing on the high carbon content being over .64 percent, are all of those products premium products?

MR. ROBERTSON: No, absolutely not. I mean, you can have -- what is the grape or vineyard wire?

MR. CRONIN: Vineyard wire can be over .64 percent carbon, and it works just fine.

MR. ROBERTSON: I mean, you string it up and literally grow grapes on it. It's not a very critical application. Now, there are critical applications in the high-carbon range, of course, that go into power generation or telecommunications wire, sure.

COMMISSIONER PINKERT: Thank you. Now, turning to Dr. Magrath, you raised some I think very important questions about causation here. And I'm trying to -- I'm looking at a record where at least for much of the period there is poor financial performance, and there is a reasonably steady market share for the domestic industry.

So I'm trying to understand what to benchmark that performance against. And I'm wondering whether you can tell me did the COGS to sales ratio decline after the filing of the petition, and did the financial performance improve significantly after the filing of the petition?
DR. MAGRATH: First of all, Commissioner, the benchmark is the -- is 2009, the recession, not just because it's the base year. But it seems that the stock market, the general economy, and many steel products have made a recovery from 2009. This industry is mired in 2009. It has not changed. The story here is not it changed, that something happened. The story here is that nothing happened.

As for the second part of your question was --

COMMISSIONER PINKERT: Looking at those two factors, the financial performance, meaning the profitability, and the COGS to sales ratio, do you see significant improvements, that is, decline in the COGS to sales ratio, and an increase in profitability after the filing of the petition?

DR. MAGRATH: You'd have to -- since the data don't break down that way, and for our internal purposes we didn't break it down that way either, you'd have to ask the industry witnesses. I think in general in our discussions yesterday that the answer from them is that their outlook has improved, but I leave the specifics to them.

MR. WEINAND: David Weinand. I would add to that. Yeah, we're seeing the first benefit from this
case probably in February of this year, at this point in time. Until we saw the imports stop, which basically occurred in November, and that inventory work through the system, we are just now starting to see some of the benefit from this case. So I don't think 2011 is really representative because the imports were still coming in.

MR. WAITE: Commissioner Pinkert, Fred Waite. I would also point out, again looking at chart 3, which I think tracks very dramatically how cases may impact imports, is that although the case was filed in March, and you saw some reduction of imports from Mexico, in fact in the preliminary phase, we provided a February letter from Deacero announcing a price increase to its customers that was apparently triggered by market knowledge that a case may be coming.

But after the case was filed, it's quite clear that the foreign suppliers consulted with their U.S. trade counsel because you see that imports during the interim period, that is, between the filing of the case and the preliminary determinations, which first imposed additional duties on imports, you actually see Chinese imports increasing quite significantly during that interim period on a monthly basis, and Mexican
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imports increasing, and then Mexican imports dropping about the same time that the Chinese preliminary determination came out.

Why did that happen? Because -- and then came back up afterwards. We think that that slight decline and increase was due to the fact that the Commerce Department was originally scheduled to announce its preliminary dumping determinations at an earlier date, and anticipating that, Mexican imports began to roll back. Then the Commerce Department announced that it was extending the deadline for its preliminary determination until November, and you see imports spiking back up, and then coming down, as Dr. Magrath pointed out, very dramatically from October to November, when the preliminary margins were imposed.

So you really don't see a dramatic effect of the case until the last couple of months of 2011. And again, as Dr. Magrath pointed out, without the case, and certainly without the preliminary determinations, imports during 2011 were on pace to actually increase at a greater level than in 2010. But again, we would submit it was the announcements by the Commerce Department, the imposition of significant duties on both Mexican and Chinese imports that led to the retreat of Mexican and Chinese unfairly traded
galvanized wire from the market during the last two months of 2011. And as Mr. Weinand just pointed out, he and others in the industry have now seen the beneficial effects of that coming into the market, coming into their sales at the beginning of this year.

COMMISSIONER PINKERT: Mr. Waite, I can definitely see the pattern that you're talking about chart 3. But what I'm looking for is some indication of how this is impacting financial performance and the relationship between cost and sales price. If there is anything you can do either to enlighten me about what is happening most recently, in the last few months, or taking another historical period and looking at that, it's that causation issue that Dr. Magrath so I think pointedly emphasized that I'm trying to get my hands around. Post-hearing?

MR. WAITE: Oh, I'm sorry, Commissioner.

Yes, post-hearing.

COMMISSIONER PINKERT: Okay. Thank you.

CHAIRMAN OKUN: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Madame Chairman. And I would also like to welcome you all here today and to thank you for appearing before us. The Respondents have suggested that subject imports act as a complementary source of supply. Do U.S.
1 producers' own purchases and imports of subject products support this argument?
2 MR. ROBERTSON: Say that again?
3 MR. CRONIN: I mentioned -- Pete Cronin with Heico Wire Group. I mentioned in my testimony that we do a make or buy analysis on some of our products, including our galvanized products that we use to manufacture some downstream products. And if the cost of the product is below our variable cost, then we might import it. We did that in some cases out of China, where we could buy 20-gauge wire to make stucco netting, a finished product for the housing industry. And we could buy -- and we're fully integrated. We buy rod. We clean it, draw it, galvanize it. Our galvanizing line is all in line, and we're very automated. And we can buy the 20-gauge wire in 2,000-pound bundles, in containers from China, cheaper delivered to our Los Angeles plant than we could make it at the plant.
4 So in that case, we did import, and we were sitting idle. We had wire drawing machines, galvanizing capacity that sat idle, and we laid off people because of that. But we made a prudent business decision at the time.
5 Currently, today the housing market is very
depressed. But currently today we're making all our
own fine wire for our finished product.

    DR. MAGRATH: Commissioner, I really don't
get this point about complementary imports. The
purchasers were very clear in their responses to
questionnaires that the U.S. and imported product were
interchangeable, that they were comparative,
comparatively both available. Both sets of
Respondents, Petitioners and importers sell to the
national market. And there was under-utilization of
capacity in the U.S. industry.

    So this is a basic industrial commodity-type
product. It's not like a rocket ship, where there
would be significant pockets of products that were not
able to be produced. The guys up here at this table
can produce everything Deacero can produce, and vice
versa.

    MR. ROBERTSON: And there continues to be
imports coming into this market on a regular basis
from Israel and Canada and other countries. It's just
that the pricing, we believe, is more responsible and
allows us to operate and actually make a profit. The
pricing is clearly the case -- as we sit here today,
as David said, that we've begun to see the benefits of
this case.
COMMISSIONER JOHANSON: All right. Thank you for your responses.

MALE VOICE: Your mike isn't on.

COMMISSIONER JOHANSON: I'm sorry?

MALE VOICE: I don't think your mike is on.

COMMISSIONER JOHANSON: Oh, I'm sorry.

Thank you for our responses. Petitioners have argued that subject imports declined in 2011 due to the imposition of preliminary duties on imports from China and Mexico. But there was a consistent decline in the volume of subject imports from China before the petitions were filed. Can one of you please address this?

MR. CRONIN: I believe during that same time period the Mexican imports increased, and they were fighting for market share, would be my analysis.

DR. MAGRATH: I mean, I agree with that.

Chart 3 shows that the imports from China were recovering. However, in 2011, actually spurred on by the -- we think by the filing of this case, before the CVD margin hit in September of 2011.

MR. ROBERTSON: And I think you'll find that when you look at total wire and wire products from China, I don't think you've seen a decline at all. I think you're going to -- the data shows a continued
upward trend in their total -- the total imports into
the U.S. of wire and wire products.

So what they have done -- what they do with
their galvanized wire is they actually value add the
product in China. They're making stuff with that wire
that they're exporting to the United States.

COMMISSIONER JOHANSON: All right. Thank
you for your responses. The U.S. industry has made
some fairly large gains in its productivity during the
period of investigation. I was wondering if someone
could explain how that has been possible, if products
are indeed being dumped in large amounts from Mexico
and China.

MR. ROBERTSON: Well, the two are not
necessarily -- we basically, all of us, during 2009
took an opportunity to reshape our companies and take
costs out in every possible respect. And I think
you're seeing the benefit of that. Anyone that made
it through that period successfully did it because
they addressed many, many cost issues and right-sized
and downsized and did a number of things, including
making incremental investments that helped reduce
costs.

So, you know, we were all confronted with
that, obviously, with the facts in front of us in late
2008-2009 period. It tends to happen cyclically in those type of recession periods. But I'm not sure it had anything to do with -- we would have been doing this regardless of whether -- what imports we were confronting.

MR. WEINAND: David Weinand. The other aspect there is one Mr. Talbot had testified to, is this is -- these lines are about efficiencies from the standpoint of volume. So as volume returns, you automatically achieve efficiencies in the operation. So that does lower your cost and makes you more efficient.

In 2009 and 2010, we had lines that were only running partially, and these lines just cannot possibly run efficiently that way. So as some capacity returns or demand returns, then they become more efficient automatically.

MR. TALBOTT: Andy Talbot. We also -- we're a small player, probably the smallest of everyone up here in scope and in volume. But as I mentioned in my testimony, we did update our line as a result of the flood, and put in more efficient burners and the latest state of the art after ten years of operation at -- or eight years, excuse me, of operation at the old technology.
So we saw some increase in productivity and output on a per-hour basis with our line. But that does lead me to another point, the importance of making a good return on these lines is critical in that they are very self-destructive. They utilize harsh chemicals, high temperatures, and long hours and extremes. That does tend to wear them out more quickly than a normal piece of production equipment that you can just turn off and walk away from. So therefore, it's critical that productivity gains by having margins whereby you can reinvest in your equipment and keep them up-to-date to compete, not only, you know, against our domestic competitors, but the threat of offshore competition as well is critical. Thank you.

MR. CRONIN: Peter Cronin with Heico. We had a corporate mandate during the recession to right-size our operations, and we laid off 15 to 20 percent of our salaried and hourly people at most of our operations and right-sized everything, and then operated very efficiently. We also chose to meet competitive pricing, even though it was very low pricing and didn't provide a margin for us. It kept our operations running.

COMMISSIONER JOHANSON: Thank you for your
responses. Those were helpful. Deacero indicates that unconfirmed lost sales and revenue allegations demonstrate the absence of significant adverse price effects. Could one of you please respond to this assertion?

MR. ROBERTSON: You know, we talked about this. The only thing I can say is we really do believe the information we have submitted, we believe it to be accurate and fair. I mean, I'm not sure what else I can say.

DR. MAGRATH: Commissioner, again the lost sales, lost revenue responses are at odds with what the purchasers say generally in section 2 of the staff report. This is a commodity product. This is a product where imports and domestic shipments, domestic products, are interchangeable, and price is an important variable in purchasing decisions.

When they have equal availability, price is important, and it's a commodity product, there should be more lost sales, lost revenue confirmed examples, obviously. The only thing I can say is that we have had political responses perhaps in that area.

MR. CRONIN: Pete Cronin with Heico. In our case, we looked at, you know, information from our key sales people, call reports, and emails, and tried to
objectively present the facts as we saw them.

COMMISSIONER JOHANSON: Thank you for your responses. And my time is up.

CHAIRMAN OKUN: Thank you. Respondents have argued that their lack of causation argument is supported by the fact that the industry performs in the merchant market, where there is head-to-head competition than on -- with respect to internal sales. Can you comment on that? And again, I don't want to go into anything confidential, but just with respect to what we should look at there. Is there something different about the products? Mr. Magrath, do you want to start? I understand the --

DR. MAGRATH: Thank you. Sorry, Commissioner. We talked about this yesterday, and it's a -- and the industry witnesses should elaborate. It's basically a product mix issue. The products that the U.S. industry does have, where there is an absence of imports, or imports are not well represented, they can get a premium on those prices. Those tend to be in the merchant market.

The internal market tends to be those products that are very common, very high volume type products on which downstream operations make other products, like chain-link fencing and vineyard wire
that has been talked about this morning.

CHAIRMAN OKUN: Could I have industry
witnesses elaborate?

MR. WEINAND: David Weinand. I would just --
I mean, Mr. Magrath has pretty much hit the head on
the nail. I mean, we produce galvanized wire. The
wire we produce for our downstream operations, it's a
very standard wire. Those products are very
commodity-based. We make for some galvanized wire
customers -- they are more niche-type businesses, so
we're able to charge a higher premium for those
products typically. So that's where you see the
differential.

CHAIRMAN OKUN: Any other producers like to
comment on that?

MR. ROBERTSON: We don't sell any -- we
don't make any --

CHAIRMAN OKUN: Okay, not in there. That's
a reason not to comment. Good, okay. All right.
Well, if there is anything, Mr. Magrath or Mr. Waite,
that you can elaborate on post-hearing looking at the
particular data and how we should take that into our
analysis with respect to performance, that would be
helpful.

Then let me return to ask a few more
questions that Commissioner Pinkert was asking about the correlation between when we see imports go down and what happens to the rest of the industry's performance. And let me preface that by saying when looking at this record, I have focused on the price suppression side of it because we had demand going up, market share has increased. A number of indicators are going up, which we have talked about. So when an argument is made that, okay, when the volume goes down, you know, that that's a real impact, that the pendency of the petition or the filing of the petition and the duties were really impacting the industry.

I'm trying to see what else I can look at. And I know Commissioner Pinkert asked you about can you break down the COGS to sales ratio and how it reacted to the imports going down. But I just am trying to understand that a little bit more in terms of what we should make of the other performance indicators of the industry that had been increasing during this period, and how to take that into effect.

So again, I think that the Respondent's argument on that is it's the financial performance side that hasn't correlated very closely with imports coming in and out. And you have responded in some ways of saying 2012 has been a better year, and we
don't see that on the record.  
But is there else you would have we look at in the record to support the idea that imports, the subject imports, are impacting financial conditions during the period of investigation, as opposed to raw material costs and the other things we've talked about?  
I know it's a very broad question. But again, I'm troubled by -- and I can see your charts with the imports. I get that. But if I look at the other indicators on your financial performance, I don't see the same correlation with subject imports.

MR. ROBERTSON: Well, again, as we can utilize our facilities more effectively, get more volume, obviously more production, lowering unit cost, I mean, that's a very significant part of obviously cost of goods sold. I mean, when you have more consistent volume to run your operation, it has a real significant impact.

But don't -- I think the price realization side of this, this whole idea of price suppression, is also a big part of this. Average selling values -- and these numbers just -- they are what they are. You start with your mill net pricing, and you look at your costs, and what is left over is what you run your
business on. And so both of those, I believe you'll see in 2012, both of those begin to change in a positive way and have a real impact.

Again, we're seeing the benefits of this case. I think the data would indicate why. Again, I also would suggest again there are other imports in this market. We're seeing -- you know, there is no shortage of people that want to ship to the U.S. There will always be imports in these areas. But it's the price at which they're offered that I think is a major part of this conversation.

So it's really both sides of that that really give us the trend of financial performance.

CHAIRMAN OKUN: Okay. I appreciate that.

Mr. Weinand, did you want to add something?

MR. WEINAND: I would just elaborate on that. I mean, this is really a commodity product, at the end of the day. And our raw material costs are what they are. They're going to change, and they're going to fluctuate accordingly. And there are only two ways that we can, you know, increase our margins. One is to be able to raise the price, which we have not been able to do because of the import pricing coming into the country. And two is to be more efficient in our processing.
Well, you can't be more efficient in our processing when there is less volume, and that's what has happened to us. So as you go in now to 2012, we're seeing efficiency increases which are going to lower our cost, which helps our margin, as well as hopeful that we're going to be able to raise our prices in 2012 with the lack of imports. So there is two sides of that equation we have to look at.

CHAIRMAN OKUN: Okay. I appreciate that.

And, Mr. Magrath, you wanted something else?

DR. MAGRATH: Yes, briefly. Yeah, Commissioner, we may be struggling with this a little bit, and Mr. Pinkert's point and your point, what you want us to do. Mr. Weinand testified that he is just now, two months after this cataclysmic drop in imports, he is just now beginning to see the effects of that in the marketplace.

I think your staff report, if I can refer you to the inventories that have been built up by the importers in this area, it takes a while, it takes perhaps several months for those inventories at their lower prices to work their way through the system.

So I think the benefits of this case, which we're all looking forward to, I think are just beginning to be upon these producers really right now.
CHAIRMAN OKUN: Okay. I appreciate all of those additional comments in helping me understand that side of it. Mr. Magrath, you may have already commented on this when you were giving your testimony. Are AUVs very relevant for this product? Should we be paying much attention to them?

DR. MAGRATH: They're absolutely relative -- they're absolutely relevant, relative too, perhaps. They're relative to prices. They're a very good proxy for prices, we think, because you've got like, what, eight or nine separate categories breaking the imports down by carbon content and diameter. And as I testified -- as I said in my testimony, the vast majority of imports are in this one number, 1.5 millimeters or more and under .25 percent carbon content.

So once again, this speaks to what this product really is instead of what the Respondents may be trying to make it into, some kind of product that's high tech and that is diffused. No. This is a commodity product, and the great majority of imports are in that one category. And I think the AUVs are relevant.

CHAIRMAN OKUN: Okay. I appreciate that. Let's see. My yellow light has come on, and I think
my next question I would want all the producers to respond to. So I will wait for my next round to do that, and I'll turn to Vice Chairman Williamson.

Thank you.

VICE CHAIRMAN WILLIAMSON: Thank you, Madame Chairman. And I to express my appreciation to the witnesses for coming today. I believe you've already addressed Deacero and Camesa's argument that high-carbon and low-carbon wire should be separate like products. But I was just wondering, Mr. Cronin, you mentioned that I guess the vineyard wire is a high-carbon product in a wide range, and it doesn't carry exactly a specification.

Could you explain why do you use high carbon for that product?

MR. CRONIN: Because you're using this vineyard to trellis the grapes. You have these grape stakes, and they're spaced. And if you've been to a -- seen a vineyard, the grape vines grow up onto the wire and the stakes. And so it needs to have a tensile strength where it won't sag, where it will support the weight of the vines and the leaves and the grapes.

And, of course, as the grapes grow and get ready for harvest, you've got a fair amount of weight
on these vines. So it needs to be high tensile, and then you stretch it and tighten it very tautly so it trellises the grapes during the growing season.

VICE CHAIRMAN WILLIAMSON: Okay. So it's still a commodity product that's --

MR. CRONIN: It's a very commodity product, yeah.

VICE CHAIRMAN WILLIAMSON: Okay. Yeah, I did have a wonderful experience eating grapes in California underneath the --

MR. CRONIN: Yeah.

VICE CHAIRMAN WILLIAMSON: On the vineyards. Thank you. Let's see. I think Petitioners claim that the industry should have performed better because demand grew steadily from 2009 to 2011. However, even in 2011, consumption was still below pre-recession consumption in 2008, which we saw in the staff report, only 750,000 tons.

I was wondering if you could comment on that. And also, what other info might we have that would just sort of establish that you're really still operating under -- not back to what you might call normal.

MR. ROBERTSON: Well, clearly -- and if you look at this economy today, you can see that some of
the auto-industrial sectors are hitting on all cylinders and doing quite well. You see a real nice growth trend. But I don't think it's any surprise that we see our construction sectors, almost every one of them are underperforming and have for some years. And all of us sell product that goes into construction applications. And so until that recovers, we're not going to see demand that we historically have enjoyed.

DR. MAGRATH: Commissioner, we would be happy to go back to 2008. The Commission doesn't do that. You know, we'd be happy to go back to where we started here in the preliminary.

First of all, imports from China were much higher, much more a part of the market. And the source is APO, but one of the Respondents, and indeed we, characterized 2008 as a record year. So it would have been a full business cycle, a record year for consumption of this product.

And by the way, the COGS to sales ratio in 2008, the record year, was 92.1 percent, still way too high to make any kind of reasonable profit, and that was in a record year. And we can get you the cite again in our post-hearing brief, where the Respondents characterize that 2008 as a record year.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
I think -- Mr. Cronin?

MR. CRONIN: Yes. I would say we have many industry segments that use galvanized wire. And again, like Walt Robertson said, a portion of our business is construction-related, and that's still very depressed, particularly on the West Coast, as I know you're all aware. And we have other segments. Energy and utility industries are very strong. Automotive is pretty strong. But the real estate and construction economy is really what is preventing a full recovery.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

I was just wondering. You mentioned several of your lines being closed. Now, have they been closed throughout the period of investigation?

MR. CRONIN: Yes, they have. We actually have -- we were running one line full out at Irwindale during the POI, and recently a second line, we started it back up. We were running it occasionally. Now we're running it full time. So we now have two out of the three lines running at Irwindale. The line at Pueblo was down during the period of investigation also.

VICE CHAIRMAN WILLIAMSON: Okay, thank you.

While I'm with you, could you describe Heico's
operations in China and how they relate to U.S. operations?

MR. CRONIN: Yes. Heico China is part of the Heico companies, and they do servicing out of China for all of the Heico companies, not just our wire and rod related companies. So they might do sourcing for our -- company or for Pettibone Equipment, and they also source wire and wire products for us that make sense and either complement our product line that we don't manufacture or, as I mentioned before, we do a make-or-buy analysis, and if we can purchase something in China below our variable costs, then we have to look at that.

VICE CHAIRMAN WILLIAMSON: Mr. Robertson, you had mentioned that you don't apply surcharges for raw material for this product, and I was wondering, was there ever a time when the industry did that?

MR. ROBERTSON: Well, what -- we were talking about the structure, pricing structure, in different parts of the steel rod and wire market.

VICE CHAIRMAN WILLIAMSON: Yeah. And you mentioned some where, like, I guess with nickel there are certain --

MR. ROBERTSON: Right. There have been efforts.
VICE CHAIRMAN WILLIAMSON: -- yes.

MR. ROBERTSON: There have been efforts on the more, I'll call it the more commodities side. We're a major cold heading wire producer, and that side is restructured, as I mentioned, on the -- and that starts with the rod mills every month applying whatever the indices show them, the scrap indices. There's busheling indices, and then it cascades through the industry.

On what I'll call the more commodities side, the high carbon/low carbon rod and wire markets, there have been efforts to structure that. There have been mills that have tried to tie their pricing to, in this case, shredded, shredded scrap indices, either the Chicago or the five city or whatever some combination and really, then, have that cascade through the industry. But frankly, it just never happened.

And I think part of it is the fact that we have imports in the market in this case that are just not responsive. They're not -- I don't think their objective is to be involved in the market and understand the price-cost relationships in this given market.

VICE CHAIRMAN WILLIAMSON: Okay. Now, were these efforts through the period of investigation or a
1 much earlier period?
2 MR. ROBERTSON:  I think it's probably 2004,
3 I think again in 2008.  So yeah, I think there's been
4 a couple of mills, ArcelorMittal, Keystone have both
5 made that attempt.
6 VICE CHAIRMAN WILLIAMSON:  Okay.  Thank you.
7 Thinking about commercial sales, do any of
8 the companies make internally the same types of
9 products that your customers make, and if so, do you
10 compete with your customers for sales to downstream
11 purchasers?
12 MR. WEINAND:  David Weinand, and the answer
13 is yes, everyday.  We produce, for example, chain-link
14 fence, bale ties, barbed wire, other products, and we
15 also supply wire to our competitors who produce those
16 products as well.
17 VICE CHAIRMAN WILLIAMSON:  Okay.  Can you
18 sort of -- do you want to describe the nature of this
19 competition since you can here?
20 MR. WEINAND:  I'm not sure what you're
21 looking for there.
22 VICE CHAIRMAN WILLIAMSON:  The effects of
23 that on the market.
24 MR. WEINAND:  Well, probably the biggest
25 effect on the marketplace is that those customers,
galvanized wire customers, can also buy some of that material from the imported supply chain as well, and in a lot of cases, that can have a detrimental impact on the ability to price your downstream products as well.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you. Go ahead. Okay. My time is about to expire too, so I thank you for those answers.

CHAIRMAN OKUN: Commissioner Pearson.

COMMISSIONER PEARSON: Thank you, Madam Chairman. My welcome to all of you also.

The chairman earlier raised a question about what appear to be loses on your internal transfers within the firm. You know, the normal situation we see is one in which firms are able to make some money on their internal transfers and then in the portion of their production that goes into the merchant market, they, well, may be facing competition from subject imports, and they tend to see a lower level of return on those sales.

Here the situation is reversed. What's going on? You're off the hook for right now, Mr. Robertson.

MR. ROBERTSON: Thank you.

MR. WEINAND: I think you have to look at
the product mix as to what your situation is. Here's an example, okay? I'll give you a product example. A chain-link fence market, okay?

One of our companies, Southwestern Wire, produces wire for the chain-link fence market and sells that to a lot of other manufacturers on the market, and we're also a major producer ourselves of chain-link fencing ourselves.

Well, the situation that has existed through this period that the chain-link fence market has been very depressed. Part of that is due to construction. And so the pricing in that particular down-stream market has been very poor for markets that are in -- in some cases negative, okay?

So we have continued to produce and compete in that marketplace, yet we're able to actually achieve greater margins selling the galvanized wire out than we are making the down-stream product on that particular product line. So those situations do exist.

COMMISSIONER PEARSON: So why aren't you pricing the product that you transfer internally equal to what you must be selling it for in the commercial market where you're making some money?

MR. WEINAND: We're pricing it internally at
what our price is that we sell the finished goods out to the marketplace.

COMMISSIONER PEARSON: Okay, then why on this record are we seeing negative earnings on internal transfers and positive earnings on sales to the commercial market, and I understand, you won't have had access to the confidential data that's in the staff report, but that's what I'm looking at and believe me, I'm mystified.

I've been here eight years. We've seen a lot of cases in which we have differential earnings between internal consumption and merchant markets. To the best of my knowledge, this is the first one where I've ever seen things turned upside down, and I don't know why.

MR. WEINAND: Well, obviously I don't have access to the data to know exactly what you're looking at, but I can just tell you on this example I'm giving you, that would be an instance when that would happen. I mean, if we're -- if our margins are more negative than our downstream product, than on the galvanized wire sales, that would cause that to occur.

COMMISSIONER PEARSON: No, I don't think so because we're not picking up in our data your revenues on the sales of the downstream products, at least I
don't believe we are. We should be capturing just the revenues on the galvanized steel wire that you transferred to your downstream product.

DR. MAGRATH: Commissioner, it really is a function of the product mix. What they sell downstream is high volume simple products like vineyard wire and like wire for chain-link fence. That is where the imports are most concentrated.

So in the commercial market, they can sell the odds and ends, the cats and dogs we call them, where they might make a premium, and that is really the answer to that question. And at the very least, you can't say that downstream production insulates them from foreign competition because it doesn't.

MR. CRONIN: Pete Cronin with Heico Wire Group.

In our case, internally we make 17 and-a-half and 20-gauge galvanized wire that we use to make stucco netting, and because of the comments I made earlier on the construction market, we have a lot of capacity in that area and we're not running it very efficiently at all because the market's so depressed, and that could affect -- and that's one of our internal products -- that would definitely affect the cost.
COMMISSIONER PEARSON: It could affect the
cost of the production of the netting for stucco, but
--
MR. CRONIN: No, no. The galvanized wire.
This is a galvanized wire that we produce for internal
use, 17 and-a-half, 20 gauge wire.
COMMISSIONER PEARSON: Okay, so you're
selling less of it to your downstream -- or you're
transferring less of it to your downstream business
and that's giving you higher per-unit costs on the
galvanized steel wire. Is that the thesis?
MR. CRONIN: Yes. Yes.
COMMISSIONER PEARSON: Okay. Is it giving
higher per unit costs on that wire than -- that's
internally transferred than the wire that you would
sell to the merchant market?
MR. CRONIN: We sell very little fine wire
to the market. We use it mainly for our own use.
MR. WEINAND: One thing you have to
understand that within the spectrum that we deal with
here, this product is across a continuum, but within
that continuum, there are a lot of specifications that
we deal with from the different coating weights we
deal with so, you know, within one gauge of wire, you
may sell that same diameter wire with different

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1 tensiles, different carbon content, different
2 coatings.
3 So a lot of the wire we do in our company
4 that's ship-out is more of what I would call a
5 specialty or a higher carbon content, or a higher
6 coating weight where you may have a different spread
7 in pricing than what we use for more of our internal
8 consumption which tends to be in our company more
9 commodity-type products.
10 COMMISSIONER PEARSON: Okay, so how are
11 transfer prices set. Let me approach it that way and
12 see what I can learn here. You're producing wire rod.
13 You're going to transfer it within the company or to
14 a related firm. How do you decide what price to put
15 on it?
16 MR. WEINAND: Well that, I mean, that was a
17 function of just going through the cost structure
18 inside our companies and from an accounting standpoint
19 allocating those costs to transfer the wire at that,
20 where ever that manufacture cost was.
21 DR. MAGRATH: Commissioner, at fair market
22 value, that's what the staff instructs us to do on the
23 questionnaire response.
24 COMMISSIONER PEARSON: But you're saying
25 that it is based on the fully-allocated costs of
producing the -- 

DR. MAGRATH: The wire.

COMMISSIONER PEARSON: -- wire?

DR. MAGRATH: Correct.

COMMISSIONER PEARSON: With a margin?

DR. MAGRATH: No, I mean --

COMMISSIONER PEARSON: It's just transferred at cost?

DR. MAGRATH: Transferred at cost.

COMMISSIONER PEARSON: Part of what's on my mind is that I have previous exposure to situations in which internal transfer pricing within firms or between related firms were used to influence tax liability, and so there was an incentive to price things in certain ways. The decision was made entirely within the firm, and yet it had really interesting tax implications. So there was an incentive for firms to structure their pricing in certain ways.

Are we sure there's nothing like that going on here? I mean, you've known you're going to be in front of us at this hearing. You get to choose or you get to say a lot about your internal pricing.

Has there been an incentive to structure the internal pricing in such a way as to maximize your
losses as you appear in front of us?

MR. WEINAND: Not for our company.

DR. MAGRATH: That's just not true.

COMMISSIONER PEARSON: Well, it may not be, but --

DR. MAGRATH: I mean, we --

COMMISSIONER PEARSON: -- it's a legitimate question.

DR. MAGRATH: -- they also have to report it on a commercial market basis so the Commission can get a ready comparison. So I know they're not structuring their numbers to maximize their injury in this case. They're following the instructions on the Commission -- in the Commission's instructions and on their questionnaire responses.

COMMISSIONER PEARSON: You'll agree though, Dr. Magrath, that this is a somewhat counterintuitive outcome, isn't it?

DR. MAGRATH: Yes. It's a somewhat counterintuitive outcome, but if you once again look at the huge variety of products here, it's explained, I think, fully by the product mix.

COMMISSIONER PEARSON: Okay, well, I will desist now and remain somewhat confused, but I would ask for purposes of the post-hearing perhaps in
conjunction with our professional staff if they have further questions. If they cannot explain this to me, having now heard my confusion, please collaborate with them and help me to understand it more thoroughly in the post-hearing. Thank you.

Thank you, Madam Chairman.

CHAIRMAN OKUN: Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Madam Chairman. One or two more questions just to follow-up on this like product issue about high carbon, and the question is, given the reported domestic production in the mid-range of carbon content which is illustrated in Table 2-1 in the staff report, is this really a case where there are a continuum of products from low to high?

MR. ROBERTSON: Of course. The answer is yes. I mean, we literally are plating product anywhere from 1006, you know, to 1085 in carbon ranges and increments, it's just our -- I mean, almost right through that whole spectrum, that whole continuum, it's just part of our everyday business.

COMMISSIONER ARANOFF: Is that the same for everyone?

MR. ROBERTSON: At Johnstown, we probably have the highest percentage -- we probably ship in
total probably about 60 percent of what's coming off our galvanizing frames is high carbon, and yet I -- I mean, it's just again, it's kind of a continuum of products that we make and ship.

I don't think -- I think there's some applications that are a lot less than 64 carbon that are just as critical.

MR. WEINAND: And the same for our facility. We actually operate from about a 1006 up through a 1065 range for most of the wire we produce, and again, it's across the whole spectrum.

COMMISSIONER ARANOFF: Okay, well, I'll invite you for purposes of post-hearing to take a look at table 2-1 and try and explain to me what I'm seeing there.

MR. CRONIN: This is Pete Cronin. I want to make a comment to your last question. We make products 1005 all the way to 1080, so we're broad spectrum.

MR. WAITE: Commissioner Aranoff, it's Fred Waite, I think the industry members at this table and others who are not at this table will tell you that they have perhaps different definitions of high carbon.

And I think that Mr. Weinand dealt with that
that the Respondents are talking about a certain carbon content as high carbon, but if you speak with each of these gentlemen, they will tell you that in looking at their products and looking at their markets, they draw a line in a different place for high carbon. But that's still a very arbitrary line because they've all explained they make products right across this continuum as we've seen in many wire rod cases where their carbon content and other factors, and within each group, there's a lot of interchangeability.

But if you look at one extreme or the other, there may not be a lot of interchangeability. But as you go along the continuum, you see products competing back and forth.

COMMISSIONER ARANOFF: Okay. No, I understand the point you're making and I also -- when I'm using the term high carbon, I'm using it the way that the Respondents are using it. Not because I think that's the right answer but because those are the arguments to which I need to get answers on the record.

You're of course free to advocate any understanding of the term that you want, but I don't want the issue of whether there's a continuum of
products here isn't in the end going to be resolved by definitions. It's, you know, it's going to be resolved by the facts on the record. So let me turn to one more like product question.

Mr. Weinand, you had testified that based on your definition of high carbon which you said was greater than .45, I think, that you will be, producing high and low carbon products, in the same production line, using the same equipment, and the same processes which is different from what the Respondent's comments argued in their brief, if you defined high carbon as being the way that Respondents define it, above .64, would it still be true that you could make it on that same production line using those same processes that you're using for lower carbon products?

MR. WEINAND: Yes. We do make 1065. I believe their cut-off was 64, if I remember right. Now, we don't go above 1065 just because we don't have any products that we're putting that into, but we do make 1065 today off those same type of equipment, same galvanizing lines.

COMMISSIONER ARANOFF: Okay, and for other producers who do produce higher carbon products, are you using the same line you're using for low carbon products?
MR. CRONIN: Yes. Pete Cronin with Heico.

If you can picture a galvanizing line, you'll have these pots with the heat-treating and the zinc, and I know you've seen the video.

You might have a 30-wire line. You could have 10 wires going into that zinc pot that are high carbon and 20 that are low carbon, or vice versa, and they would be very compatible as they're going through the process to get the zinc coating. And the galv line wouldn't know the difference.

COMMISSIONER ARANOFF: Okay. All right. That's very helpful. Thank you very much.

In the preliminary conference, a witness for Deacero testified that other than Deacero and Camesa, the four other Mexican producers of galvanized steel wire are small and are focused on internal consumption for captive production of downstream products.

Should the commission rely on that testimony as something that's uncontradicted not he record or are Petitioners -- do you have any contrary evidence regarding the capabilities or intentions of these four other Mexican producers?

MR. WAITE: Commissioner Aranoff, Fred Waite.

The two principal Mexican producers and
exporters that we have seen in our data that we have
collected independently and then confirmed by the
Commission's data collection have been Deacero and
Camesa. In fact, Deacero at that same staff
conference offered that it is responsible for 90
percent of production and exports from Mexico.
The men at this table can tell you whether
they've heard of these other companies, but as you can
see from our submissions, we are looking primarily at
the two largest. We don't have any information about
those other companies.

COMMISSIONER ARANOFF: Okay. I appreciate
that.

Switching to a completely other topic,
there's been some discussion in this case about
whether or not purchasers might be reluctant to buy
product from suppliers who are going to compete with
them in downstream markets for products that they're
also making internally.

Is it common for purchasers who are
producing these sales from products to not want to
rely on suppliers who are producing the same product
and competing with them downstream? And if so, about
how much of the market does that account for, those
kind of merchant purchasers?
MR. CRONIN: Well, I really couldn't give you any exact data, but I can say if you use Deacero, for example, they sell galvanized chainlink weaving wire to people in the U.S. that weave it, and they buy it from them because of the price.

And then these, they -- Deacero also produces the woven chainlink and competes with them.

COMMISSIONER ARANOFF: Okay, so you're saying that to the extent that customers have scruples on this point, those scruples can be overcome by good price?

MR. CRONIN: You said it more succinctly than I did.

MR. ROBERTSON: Remember, we have a rod and wire market that's characterized by almost -- well, every rod mill in North America essentially is in the wire and wire products business.

I mean, so in a sense we're all buying from our competitors. I mean, that characterizes this entire market from the beginning, the rod producer making the raw material. I mean, that characterizes the entire North American market.

COMMISSIONER ARANOFF: Okay. I want to go back to one more question on price suppression. We've talked about the COGS to net sales ratio being
effectively unchanged if you look over the period 2009 to 2011, and I think your argument has been, well, unchanged but it's been too high.

And my question is, I don't recall where the Commission has formed price suppression absent an increase in the COGS to net sales ratio and while that doesn't mean we couldn't, I'd be interested in hearing the argument for whether we ever have and why we should here.

You can start now. There's a little bit of my time left, or you can take that on for post-hearing.

DR. MAGRATH: I think we're having a tough time here because the base year is the recession. And as we said before, you know, the Commission is used to looking at trends and used to looking at what happened in the period of investigation. And they're used to seeing these big declines from the base year.

Here the base year, because the calendar is turned, is the recession, is the low point, and the story is what didn't happen not what happened, not a trend but what didn't happen.

They could not, despite the increases in consumption, the increases in trade variables, the domestic industry could not claw their way out of the
1 mire of the recession because of the volume and prices
2 of the subject imports.
3 And I've got to say, these three years of
4 operating losses, the trend has improved a little bit,
5 but if you're -- you're still under water, and if
6 you're under water by six inches or six feet, you're
7 still drowning.
8 COMMISSIONER ARANOFF:  Okay. Well, I -- we
9 don't usually like to look outside of our period of
10 investigation, but I guess one thing that would be
11 helpful to me is some sense of, you know, when the
12 last time there was a more healthy cogs-to-net sales
13 ratio was and what that was. And sort of what's the
14 normal.
15 My time is up, so maybe that's something
16 that you can look at post-hearing, but I -- that might
17 help me to put the argument that you're making into
18 perspective. Thank you, Madam Chairman.
19 CHAIRMAN OKUN:  Commissioner Pinkert?
20 COMMISSIONER PINKERT:  Thank you, Madam
21 Chairman. I just have a few additional questions.
22 First of all, what do you make of the
23 argument that in the imminent future at least one
24 Mexican producer is not going to have much of an
25 incentive to ship to the U.S. market?
MR. WAITE: Commissioner Pinkert, Fred Waite.

Is it possible for you to identify the Mexican producer or is that APO?

COMMISSIONER PINKERT: Well, what I can do is I can tell you to look at page 22 to 23 of the Deacero brief. Okay.

DR. MAGRATH: Fred, if I could make a comment, and then you can come in. I think we're talking about Deacero, and we're talking about what was mentioned in the opening statement.

I can't remember if the capacity of their production facilities in the United States was APO or not, but their imports are a great deal more than that production capacity that they are going to put into the United States, so it's really misleading to claim that there will be no incentive to import to the United States any more when they have a much bigger market than they have productive capacity for in the United States.

MR. WAITE: Commissioner Pinkert, Fred Waite again. As Dr. Magrath mentioned in his response to Commissioner Aranoff's earlier question, there are a lot of -- and also to Commissioner Pearson's questions, there are a lot of counterfactual issues
1 in this case, many of which are the result of the base
2 period being the depth of the recession and that
3 normally -- normally usually one might expect looking
4 at a period of investigation a set of data, a set of
5 trends that's somewhat different than you're looking
6 at here because you normally are starting at a
7 different base point which is not a base point that is
8 characterized by the worst financial crisis in the
9 United States and probably the world since the Great
10 Depression.
11 But specifically to your question about
12 whether or not one can anticipate future shipments,
13 whether there is a threat here, we would simply submit
14 that the reason for those decisions, the reason for
15 those statements, is the fact of the case.
16 If there were no case, there is nothing that
17 would indicate that the Mexican suppliers and the
18 Chinese suppliers would not have continued as they had
19 been continuing throughout the period of investigation
20 prior to the Commerce Department's preliminary
21 determinations which affixed or assigned specific
22 additional duties, in many cases very substantial
23 additional duties, on imports.
24 So without the case, what would be the
25 result? Without the case, would these representations
remain valid or would you see companies making different decisions. If there were no dumping order on their products, you could very well see companies making different decisions on how they were going to source the U.S. market.

And then the point that Dr. Magrath made that Deacero like Camesa ships to affiliated companies in the United States that use the product galvanized steel wire to make finished products and then sell those in the market.

I believe again at the staff conference it was made very clear that in Deacero's case, those customers did not consume all or even most of Deacero's shipments of galvanized steel wire to the United States.

So the U.S. operations do not necessarily cushion Deacero, that they still ship very significant quantities that went into the commercial markets through the warehouses that they have established throughout the United States and which they proudly identify on their website.

I don't know if that's responsive to your question.

COMMISSIONER PINKERT: That's helpful Thank
you. If you look at the business proprietary
information that I referred to in the briefs and wish
to comment on that further in the post-hearing, that
would be helpful too.

MR. WAITE: Thank you, Commissioner.

COMMISSIONER PINKERT: Thank you.

Now, turning to the issue of cumulation for
threat purposes, and I know that this is kind of
hypothetical, but assuming that we address the issue
of cumulation for purposes of a threat analysis, are
in fact the volume trends different for Mexico and
China, and if so, what bearing would that have on the
threat accumulation issue?

MR. WAITE: Thank you, Commissioner Pinkert.

Again, the volume trends for Mexico through the period
of investigation as reflected in the staff report
shows steady increases, in fact, significant increases
for China.

Again, starting with the 2009 base period,
the volumes were, as I recall, fairly steady
2009/2010, and then trended down in 2011 or maybe it
was the other way.

But again, looking at our chart 3, one sees
that the Chinese certainly had the ability and in
2011, the actuality of increasing their imports into
the United States just as Deacero did during certain periods of time as a result of actions that were being taken outside of the market. That is, actions being taken by Governmental bodies to impose trade remedies on their imports.

With China, I think it's clear that our greatest concern is the breathtaking capacity that the Chinese industry has to make galvanized wire. Again, we compliment the staff on trying to take a very limited data set and develop from that some information that might be usable for you in your analysis and decision, and particularly on the Chinese industry.

But as Dr. Magrath pointed out in his testimony, as we pointed out in our pre-hearing brief, exports of galvanized wire from China -- and these are official Chinese Government statistics, so they're real numbers. Exports of galvanized wire from China are larger than the entire U.S. market.

And exports of galvanized wire from China dwarf by three, four, five fold the capacity numbers that the Commission was able to derive from those few Chinese companies who participated in the investigation.

So with China, we had the issue not only of
the import trends in terms of deciding whether to use your discretion in a threat analysis, but we're also terribly concerned about the ability of an industry and a country that literally on the turn of a dime can shift exports of such magnitude that it would simply swamp not only this market but any market they decided to move into.

COMMISSIONER PINKERT: Along similar lines, I believe that you testified earlier, Mr. Waite, that Mexican pricing had been if anything more aggressive than the Chinese pricing during substantial parts of the period of investigation. What bearing does that have on the cumulation for threat purposes?

MR. WAITE: Well, again as -- it's Fred Waite, Commissioner Pinkert.

Again, as Dr. Magrath mentioned in response to one of the questions from your colleagues about the use of AUV's and we rely heavily on those simply because they are in our minds the most comprehensive data available as well as very good surrogates for the normal pricing data that the Commission collects simply because of the way the harmonized tariff code breaks out these products largely on carbon content and diameter. It does not break them out on zinc content which you've heard is also a significant factor.
But when you look at the pricing data, you see that initially China was the low-price supplier to the U.S. market. And then in our judgment to achieve market share, to increase market share, Mexico dropped its pricing below China, but they seemed to follow their pricing into the U.S. market almost in tandem. And in that regard, we would say that their pricing, even though the Mexican pricing dropped significantly, particularly in 2010, their pricing really was moving in very similar ways, not identical but very similar ways in the period of investigation.

COMMISSIONER PINKERT: Thank you.

Thank you, Madam Chairman.

CHAIRMAN OKUN: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes, thank you, Madam Chairman.

Mr. Robertson, you stated that China is adding value to its wire and exporting the higher value product. Is there an incentive for subject producers to move up the value chain, and if so, have you experienced increased Chinese import competition in your downstream markets?

MR. ROBERTSON: We of course don't make any downstream products. We're only --

CHAIRMAN OKUN: I'm not sure if your
MR. ROBERTSON: We're only selling wire to people that make products in competition with Chinese wire products, but I track the data pretty carefully, and in all the categories that are readily available to analyze and tracking over the years the importation of Chinese wire products, the growth has been astounding in the last ten years. I mean, we're going from virtually nothing to over a million and-a-half tons a year of all these products, all these downstream wire products, so that's what I was speaking to. Again the Japanese -- the Chinese are competing with our customers on that basis.

COMMISSIONER JOHANSON: Would any of the other witnesses have a comment on that?

Yes, Mr. Cronin?

MR. CRONIN: Yes. Pete Cronin, Heico.

What Walt's referring to is these are finished products like lamp parts and, you know, lamp shades with the wire in it. They might be barbecue grills. These are products that you're going to buy in a hardware store or department store.

And as you know, there are an awful lot of products that have wire components in them, and that's the down streaming they're doing. It's not a more
value added wire product in itself. It's a downstream product.

So if they -- if there's a galvanized mill in China that makes, you know, 5,000 tons a month of galvanized wire, they're going to be incentivized to try to find some finish products they can sell in the U.S. versus just trying to sell the galv wire.

MR. ROBERTSON: I think it's an employment strategy. I think if you've ever looked at a five-year plan from China, it's all about employment, about jobs, and that's what we're -- we definitely see the implications of that. We're confronted with that competition.

COMMISSIONER JOHANSON: All right. Thank you.

Given that most of your sales are produced to order, would your order book information be helpful for us to have on the record?

MR. ROBERTSON: It would confirm a few things, for instance, the mix of products that we produce, high carbon and low carbon might be interesting to see.

COMMISSIONER JOHANSON: Okay. Could you provide that for us for the record?

MR. ROBERTSON: Sure.
COMMISSIONER JOHANSON: Thank you.

Are any of you aware of any new entrants to or investments in the domestic galvanized wire industry?

MR. WEINAND: Not to my knowledge, no. Dave Weinand. Not to my knowledge.

COMMISSIONER JOHANSON: Okay. Thanks. That was a good succinct answer.

And are there other dividing lines for galvanized wire that are similar to the suggested division between low and high carbon, and are there clear dividing lines for diameter coatings or any other characteristics?

MR. CRONIN: Pete Cronin with Heico. Not really. I think you have a continuum of products that you -- you draw the wire to different diameters. You galvanize it. You put different weights of coating on it. You supply it in different packages, spools, reels, on tubular stands, but it's -- you know, I don't think there's any demarcation between the products as far as the galvanizing.

COMMISSIONER JOHANSON: Okay. And getting to the Chinese and Mexican wire industries, does a fragmentation of the Chinese wire industry and the high concentration of the Mexican industry have any
influence on competition import behavior or other competitive conditions?

MR. ROBERTSON: Good question.

MR. WAITE: That's an excellent question.

And the industry representatives can tell you whether they see any difference in the market as a result of the fact that the Mexican industry is far more concentrated than a Chinese industry that we found had 900 companies offering galvanized wire for sale.

So I would turn it to the industry members whether they have seen anything in the market that would distinguish Mexican offers from Chinese offers which I think is the thrust of your question?

COMMISSIONER JOHANSON: Right.

MR. CRONIN: Yeah, Pete Cronin, Heico Wire Group.

The only big difference I see is how they go to market. Our Mexican competitors have sales reps living in the U.S. that make sales calls, and a lot of the Chinese product is sold through brokers.

I don't know whether that answers your question, but that's one of the differentiations.

COMMISSIONER JOHANSON: Yes, it does to some extent. They are very different industries though.

It's quite interesting. I mean, there are 900
1 producers in China?
2    MR. WAITE: No, I didn't --
3    COMMISSIONER JOHANSON: Oh, I'm sorry.
4    MR. WAITE: -- say that. We identified --
5    COMMISSIONER JOHANSON: 239 or what --
6    MR. WAITE: We identified in our petition
7 279 companies --
8    COMMISSIONER JOHANSON: Okay.
9    MR. WAITE: -- based on import statistics we
10 had as well as internet searches that appeared to be
11 producers of galvanized wire in China, but there's
12 also a website that we found that had over 900
13 companies listed that were offering galvanized wire
14 for sale, and many of those were probably as Peter
15 said, brokers or trading companies, not necessarily
16 producers.
17    DR. MAGRATH: Commissioner, I really don't
18 think it makes any difference. The difference is that
19 both industries and both countries have excess
20 capacity, capacity utilization is as big a driver for
21 them as it is for the U.S. industry, and so they want
22 to make as much as possible, and they export that to
23 other countries.
24    It's the excess capacity, whether it's one
25 firm or it's 279 firms in the case of China that is
the real factor here.

COMMISSIONER JOHANSON: All right. Thank you.

And to what do you all attribute your ability to gain market share during the period despite the sizable presence of subject imports? I know that industry has been building back up since recession or during the recession since the low of the recession, but I'm wondering if there's any other factors out there?

I know that the U.S. consumption is rising as well, so I assume that might have something to do with it.

MR. TALBOT: Andy Talbot. The only thing I could offer from our side is that coming out a recession as deep as the one that we experienced, there is typically a reticence to buy a lot of inventory, build a lot of inventory, and particularly when you're buying off shore, you have to buy in larger quantities and make longer term commitments.

And we've seen a distinct change in our customers order patterns after the recession to be more just-in-time, very low lead times, very low visibility from our standpoint as a supplier to know when they wanted their orders produced and shipped.
In other words, they wouldn't give us orders two, three, and four. They would order one order at a time, and when that one was shipped and completed, they would order more.

So one factor could be the fact that coming out of recession people are still trying to gauge their inventory, their levels that they need to support the business they have and were reluctant to make longer term commitments with imports.

MR. ROBERTSON: We've seen the same thing. People are managing their working capital very aggressively, our customers. But one of the -- we've been fortunate in that one of the only sectors in the construction world that's been positive is really power generation electrical power infrastructure, and that's one of our primary customer groups, and so we've benefitted from that. But it's still a dogfight out there.

MR. CRONIN: Cronin with Heico Wire Group. I don't know that our market shares increased. Our volume's gone up as the economy's recovered a little bit, but we're hoping with a successful case that it will help us gain back market share. It's 107,000 tons of imports that come in from China and Mexico.
COMMISSIONER JOHANSON: All right. Well, thank you. My time is almost up, so that will conclude my questions. But I'd like to thank you all for appearing here today.

CHAIRMAN OKUN: I think I just have a few questions, most of which I think are going to need to be post-hearing.

But one of the issues in the preliminary opinion that we said we would explore was the differences in financial performance with respect to individual members of the domestic industry.

And I know that in your briefs you've touched on this, but I think because there have been so many questions about, you know, what is it -- how does this industry make money and what role do the subject imports play, I think if you could just explore that in discussing what's going on in the industry.

We have to look at the industry at a whole which is a statutory requirement, but there are differences that I think need to be explained to help us better understand, again, the financial condition of the industry and what's impacting it, I guess, is how I should frame the question.

And then I know you were able to respond
somewhat in response to Commissioner Pinkert with respect to if we were to be looking at threat, and I would just ask for post-hearing that you would brief if we were to not cumulate the threat case for both Mexico and China. I'd appreciate that.

And I think with that I have no further questions for this panel. But again, I want to thank you once again for all the helpful responses today.

Vice Chairman Williamson?

VICE CHAIRMAN WILLIAMSON: Thank you, Madam Chairman.

Just one question. This is regards to price leadership. In the staff report at page 5-4 indicates that when asked to name price leaders in the U.S. market, purchasers named only U.S. producers and no importers of subject wire, and I was wondering, what does this mean for our analysis of price effects if only the U.S. producers are considered price leaders?

MR. TALBOT: Just quickly, if I understand your question, we are drawing from a pool of resources, raw materials, that seems to center around scrap, scrap metal, scrap iron and steel whether it comes in the form of shredding scrap or busheling for our particular products.

That affects our initial raw material cost,
and that can change and ebb and flow over a period of a quarter by two or three times. We've seen increases. We've seen changes as the scrap market changed, or the demand for steel in general changed. And when we see those things taking place, the domestic suppliers or domestic producers of galvanized wire or other wire products are experiencing basically the same ebbs and flows. The difference with the imported suppliers can be they're supplying out of a pool of goods from a warehouse somewhere or a dock somewhere, and their pricing reference point, their cost reference point, may be significantly different than what we're experiencing at the time, so there's a timing factor in that in my opinion.

MR. ROBERTSON: This would just follow under the question that Ms. Aranoff asked. I mean, there's a market rhythm that is driven by scrap on a monthly basis, and certainly the domestic buyers of rod, our raw material, are going to be responding to that and driving the market one direction or another.

Our market pricing's going to change literally month to month, and so yeah, I would assume -- if I were a domestic buyer, I would say that the domestic guys are leading that parade up and down.
As Andy pointed out, the imports really don't -- are not really influenced in the same way and don't behave the same way in that respect. Make sense?

VICE CHAIRMAN WILLIAMSON: I think I'm getting there.

DR. MAGRATH: Commissioner, as I recall from the staff report, you had a lot of -- you had a pretty good response of purchasers but really very few people talked about or listed a price leader. It wasn't like dozens of people, they all said the same thing. I think a better indication of price leadership is to be found in the underselling margins which were quite complete, quite comprehensive for both Mexico and China in the pricing section of the report. That shows who the real price leaders were especially on the downside.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

Mr. Cronin?

MR. CRONIN: Yeah. Pete Cronin with Heico. Yeah, that's the comment I was going to make that we try to be price leaders but we're price followers when the price goes down.

VICE CHAIRMAN WILLIAMSON: Okay. And the -- well, what accounts for the purchaser's perception do
you think?

MR. CRONIN: Well, in our case sometimes the purchasers are obviously incentivized to buy at a low price, so they're not happy when we raise the price. So if they find an alternative at a lower price, they're going to tell us about it.

VICE CHAIRMAN WILLIAMSON: Okay. So I might not call it price leadership, but that's -- okay.

Anyone else want to add to that? If not, then I want to thank this panel for their answers. Thank you.

CHAIRMAN OKUN: Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Madam Chairman.

Permit me to begin my second round with an apology for my frustration with the record rather than frustration with domestic industry. That may have been reflected in my first round of comments, and I was somewhat chagrined that I realized that I had been a bit firm or harsh. So allow me now to try to proceed in a more gracious way.

Mr. Waite, Commissioner Pinkert had raised the question about decumulation for threat, and following-up on that, should we take into account any publicly available information about investments in U.S. businesses by members of the Mexican industry
when we evaluate the credibility of projections that Commissioner Pinkert referenced on pages 22 and 23 of the Deacero brief?

MR. WAITE: First, Commissioner Pearson, let me say that I've appeared before you many times in the eight years you have sat on this commission. You've been nothing but gracious.

COMMISSIONER PEARSON: Well, I've had my moments.

MR. WAITE: In your questions. We all become frustrated at times with data and with results that we can't understand, and we share that frustration with you.

But to respond to your question. We would like to address that in our post-hearing because there are a number of confidential aspects to Deacero's statements and to what we have on the public record as well as the confidential record.

But I would say that Deacero is still predominantly -- and I don't think they will deny this -- a Mexican producer of steel products including galvanized steel wire.

As far as we know, the vast bulk of their capacity, perhaps right now 100 percent of their capacity, to produce galvanized steel wire is in
There have been announcements. Our members have obtained information through market sources about various intentions to perhaps shift some of that capacity to the United States but on a very limited basis, a very minor portion of their capacity.

And of course, we don't know what their intentions may be if that capacity is shifted and started up in the United States, what the intention is to use the output from that capacity. Is it to be used internally to their U.S. affiliated downstream wire products producers or is it for the open market?

So we'd like to have a little time to think about that one particularly as it relates to Commissioner Pinkert's question and now your question about how that might fit into a cumulation analysis on the thread issue.

COMMISSIONER PEARSON: Right, and then how we would regard the credibility of statements that are confidential on the record just in light of other things that might be known about the Mexican industry.

Okay?

MR. WAITE: Yes, sir. I understand.

COMMISSIONER PEARSON: Okay. Thank you.

I think the last issue that I wanted to
touch on goes to what was mentioned in Respondents opening statement about the attribution of, you know, based on what we see happening with subject imports, can we get to injury from there? And I raise that in light of the questions that I presented earlier regarding the difference between earnings on transfer price -- on internal transfers and merchant market sales because we would want to avoid a situation in which we -- if we're going to find injury with this unusual fact pattern, I think we would need to be able to track very carefully between the subject imports and the effects on transfer pricing, okay?

And so I don't know whether you have anything that you would want to say about that now, but you can understand why I would struggle with that because we don't normally have people coming and saying that because of the imports, my internal transfer pricing is all messed up. If you'd prefer to stay out of it, address it thoroughly in the post-hearing and help me there if you could because I'm concerned that it's potentially a dispositive issue and so we've got to draw the relationship out fairly clearly, I think.

MR. WAITE: We understand that,
Commissioner, and I think you've heard the industry witnesses address that and perhaps they just need to explicate that explanation further in order to have an understanding from those of us outside the industry as to why they are seeing that result in this case.

And I don't know if Dr. Magrath has anything further -- he also addressed your issues -- but we'll certainly address this in a way that we hope will meet with -- will respond to the questions that you raised just now.

COMMISSIONER PEARSON: Okay. Thank you very much, and I really do appreciate you being here, okay? Don't misunderstand me. So thanks for all your responses.

Madam Chairman, that concludes my questioning.

CHAIRMAN OKUN: Let me see if there are any other questions from commissioners, no? Let me turn to staff to see if our staff have questions for this panel.

MS. HAINES: Staff has no questions.

CHAIRMAN OKUN: Do those in opposition to imposition of the orders have questions for this panel? They're shaking their head in the negative, so this would be a good time to break for lunch.
Before I do so, let me take this opportunity to once again thank this panel of witnesses for being here and answering our many questions and continuing your participation as we develop the record.

And I would also like to remind parties that the room is not secure, so please take any confidential business information with you.

So Commissioner Pearson always gracious. Me, Mr. Magrath has noted this is the fifth of the fifth hearing we've had and I have become a Grinch about lunch it turned out.

So I am going to try to not do that. So we'll break for an hour and five minutes and come back at 1:35. This hearing stands in recess.

(Whereupon, at 12:30 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 1:35 p.m. this same day, Thursday, March 22, 2012.)
CHAIRMAN OKUN: Good afternoon. This hearing of the U.S. International Trade Commission will now resume.

Mr. Secretary, I see that our second panel is seated. Have all the witnesses been sworn?

MR. BISHOP: Yes, Madam Chairman. Those in opposition to the imposition of anti-dumping and counter countervailing duty orders have been seated.

All witnesses have been sworn.

CHAIRMAN OKUN: Thank you. You may proceed.

MR. CAMPBELL: Good afternoon. This is Jay Campbell with White and Case. We will have three witnesses testify on behalf of Deacero, and then Christina Zissis and I will provide some brief comments.

Our first witness is Eugenio Gutierrez of Deacero.

MR. E. GUTIERREZ: Good afternoon. Thank you very much for this opportunity to appear before the Commission today. My name is Eugenio Gutierrez Noriega. I have two positions at Deacero. I am an administrative and financial manager. I'm also a trade affairs manager.
I have worked at the company for 10 years in the production, marketing, administrative, finance, and trade affair departments. Today I would like to tell you about Deacero, my family's company.

In particular, I will explain Deacero's role in the U.S. market and why this role will not result in increased exports of galvanized steel wire from Mexico.

My grandfather founded Deacero in 1952 in Monterrey, Mexico. He graduated as a mechanical engineer student from the University of Texas where he enjoyed playing tennis. He was curious about how chain-link fences were threaded and installed at the tennis courts on campus.

Upon graduation, he returned to Mexico and designed a chain-link fence machine. The main input for the machine was galvanized steel wire. That's how it all started.

Today, 60 years later, the company has developed into a vertically integrated steel manufacturer. We compete in six different business units.

Our operations include scrap recycling centers, steel mills, wire facilities, distribution centers, research and development centers, and a
Our downstream wire facilities serve all economic sectors such as fencing and barbed wire for the agricultural sector, nails and welded wire for the construction sector, wire rope and galvanized steel wires for the industrial sector, and chain link and hexagon netting for the lawn and garden sector, just to mention a few examples.

In addition, our research and development company Altamat (phonetic) innovates, develops, and produces new processes and technology to transform steel and produce wire.

Deacero has grown throughout the years by reinvesting its profits. In the U.S., we have grown both through organic growth and through acquisitions. We are investing in new technology and processes. This increases our efficiency and productivity which enables us to reduce costs and remain competitive in the diverse markets that we operate in such as Mexico, the U.S., Central and South America, and Europe.

We are the largest Mexican galvanized wire producer. We estimate that Deacero represented at least 90 percent of Mexican galvanized steel wire production and about 95 percent of Mexican exports of galvanized wire to the United States last year.
Most of our galvanized steel wire is used to produce higher value added downstream products mainly for the agricultural and industrial sectors. The manufacturing of these products mainly serve the Mexican market as well as our export markets.

We are not new in the U.S. market. Deacero has been doing business in the United States for over 30 years. The first product we sold in the U.S. was chain-link fencing. After that, we added poultry netting and also galvanized steel wire to our U.S. product line.

Since that time and especially during the last three to four years, our sales of galvanized steel wire have grown in the U.S. market for a number of reasons.

First, certain customers purchase galvanized steel wire from us primarily because they weren't able to obtain the quantity or the specific wire products they require from U.S. suppliers.

Second, some customers needed to diversify their sources of supply to avoid dependence on a single supplier.

Third, we have been able to supply our U.S. customers more efficiently than imports from off-shore sources such as China and other countries from our
distribution centers located in certain key locations. 

We opened our warehouse in Laredo, Texas in 
the 1980s and in Indianapolis, Indiana in 2003. Since 
2005, we have entered into arrangements with 
independent warehouses in Chicago, Spokane, 
Chambersburg, and Birmingham. The distribution 
network enables us to serve our U.S. customer on a 
just-in-time basis.

Finally, we provide our U.S. customers with 
a consistent and high quality galvanized steel wire 
product. In addition, we provide them with technical 
service and support due to the technical expertise and 
knowledge as Deacero also manufacturers the full range 
of downstream products.

Rather than price, our ability to make 
galvanized steel wire products, our warehouse system, 
and our customer service and technical support are the 
reasons that we have been able to develop a loyal 
customer base in the United States.

Another important reason why our U.S. sales 
of galvanized steel wire have increased is that we 
have acquired U.S. facilities that manufacture wire 
rope and fencing. The main input for these affiliated 
facilities is galvanized steel wire.

In October 2006, Deacero purchased Stay-Tuff
Fence Manufacturing which is located in New Braunfels, Texas. Stay-Tuff is the largest U.S. producer of fixed nut fencing that serves the agricultural sector. The quantity of galvanized steel wire sold to Stay-Tuff increased every year from 2009 through 2011. Stay-Tuff was Deacero's largest customer for this product in 2010 and 2011. In fact, in 2011, Stay-Tuff alone accounted for 23 percent of the U.S. sales of imports of galvanized steel wire from Deacero.


The main input for these wire rope manufacturing processes is galvanized steel wire. Deacero also has continued to invest in the United States with two recent acquisitions.

In February 2012, Deacero acquired Mid-Continent Nail Corporation, one of the largest nail producers in the United States. Mid-Continent purchases some galvanized wire for its operations. Finally, our most recent acquisition is a scrap yard in Corpus Christi, Texas which we bought at
the beginning of March 2012. We are loyal to our U.S. customers who require galvanized steel wire or other products but who are unable to obtain what they need from other supply sources.

This is one of the reasons why David Libla, CEO of Mid-Continent, sold his family business to Deacero. We share the same values and ideals and always treated him as a loyal customer.

I should note that we have supplied or steel supply all of the U.S. producers that are here today with products from our steel mills or wire facilities. We consider them to be our competitors, customers, and friends.

The acquisitions and Greenfield investments that I have described demonstrate our commitment to manufacture and stay in the U.S. market for the long-term. We are responsible in the U.S. operations for 550 employees. This is a start.

Times are changing. Deacero is adjusting to this new reality by competing fairly in the market and to keep serving our U.S. customer base. We believe in U.S. manufacturing.

In our experience, our U.S. operations are extremely efficient and productive. Deacero U.S.A., Stay-Tuff, and Mid-Continent are an important and
growing part of the Deacero family. Recognizing this, we concluded that we need to ensure a stable supply of galvanized steel wire to our U.S. affiliates. For this reason, we decided to make the necessary investments to produce galvanized steel wire in the United States. We invested and installed a new galvanizing line in Houston, Texas. This line was designed by our own research and development business unit, Altamat. It is our own patented technology that we are bringing to the U.S. market. We believe that the galvanizing line will have more competitive manufacturing costs than our traditional galvanizing lines in Mexico due to the new technology and the more competitive U.S. energy prices compared to Mexico. Our aim is to supply our U.S. affiliates, Deacero U.S.A., Stay-Tuff, and Mid-Continent and also our unaffiliated U.S. customers with the galvanized steel wire that we have started to manufacture in the United States. Finally, I want to say that we are here today because we believe it is important to provide the Commission with all the information that is required to make a decision in this case regarding
We also wanted to explain why the U.S. market is important to Deacero and why we are committed to protect these U.S. investments on our future growth for the long-term.

Thank you. This concludes my comments. I will be pleased to answer any questions.

MR. CAMPBELL: Thank you, Eugenio.

Our next witness will be Daniel Gutierrez, also we Deacero.

MR. D. GUTIERREZ: Good afternoon. My name is Daniel Gutierrez. I'm the Vice President of industrial sales for Deacero S.A. de C.V. I'm responsible for all of Deacero industrial sales of steel pallets, wire rod, wire products in Mexico and in all export markets including the United States. I have worked in the steel and wire industry for 19 years, all of it with Deacero.

I will address two main points. I will explain why is it reasonable for Deacero to say that we do not plan to sell galvanized steel wire produced in Mexico to our U.S. customers. Also, I will tell you about our experience with prices for galvanized steel wire in the U.S. market since 2009.

First, Eugenio stated that we do not plan to
export galvanized wire to our U.S. customers. There are several additional reasons for this. Most important as you have heard, we have made the decision and investment to start producing galvanized wire in Houston, Texas to supply our U.S. affiliates and our U.S. customers.

We do not plan to supply the U.S. market with wire produced at our own galvanizing facilities in Mexico. This plan makes sense when you consider our limited on use production capacity in Mexico. Our core business strategy to focus on higher value added downstream products and the increasing demand galvanized wire in Mexico and other markets.

These growing needs are expected to absorb the galvanized steel wire volumes that Deacero previously exported to the U.S. I will discuss each one of these needs.

First, Deacero operates at extremely high levels of capacity utilization. We cannot produce more galvanized wire because we are operating at full capacity of the galvanizing lines. Given our product mix of coatings and diameters, we project that we will continue to operate at these same high levels through 2013.
Also, our galvanizing capacity in Mexico will be approximately the same in 2013 than it was in 2011, therefore, we cannot expand our production of galvanized wire from current operating levels, and this will not change.

Second, we also have no incentive to shift from the production of the higher value added downstream products that we make to produce more galvanized wire.

We produce more than 50 categories of downstream products used in a wide-range of industries that include agricultural, construction, mining, oil and gas, telecommunications, and hardware.

These products are our core business and we have long-standing customer relationships that we must continue to supply. These products are also more profitable for Deacero to sell them than galvanized wire.

We will continue to develop new downstream products. This focus on downstream products as our core business is another reason we will not produce more galvanized steel wire that could be exported to the U.S.

If we look at the year to date data from 2012, compare it to 2011, we have increased our
production in Mexico of wide-range downstream products such as hardware cloth by 42 percent, low-carbon barbed wire by 25 percent, 2.5 inch nails by 19 percent, Deacero fence by 16 percent, ropes by 177 percent, high tensile barbed wire class three by 85 percent. Horse fence by 61 percent. Soft staples by 43 percent, and gabions by 62 percent.

We also introduced a new product during the past year called blinding mesh which is used as a screen on highways to prevent the blinding effect from car headlights at night.

In the Mexico market, we also can measure the growth in demand for downstream products during the same period by looking at the sectors that we serve.

For example, the amount for downstream products in the agricultural sector has increased by 123 percent, in the automobile sector by 35 percent, in the industrial sector by 100 percent, in the electricity sector by 32 percent, and then the fencing sector by 337 percent.

Third, we also must supply our customers for galvanized wire in Mexico. It is our largest volume market for galvanized wire. As a leading Mexican galvanized producer, we have the responsibility to
meet Mexican demand for this product.

We have a core group of Mexican customers that we have been supplying for more than 25 to 30 years. We're committed to these long-term customers and will not jeopardize our relationship with them.

We also are developing new customers in Mexico including Maquiladoras that left Mexico for China in 2004 and returned in 2007 when they determined that the business conditions in China were not favorable.

This is one reason we have gained new customers and have increased our sales of galvanized wire in Mexico. In general, we commit to supplying our Mexican customers for six months at a time.

Finally, we also have exports of galvanized steel wire to at least 18 countries other than the U.S. including countries in Central and South America and Europe.

The amount has increased in those countries, in particular in the Dominican Republic, Chile, and Central America. For example ITW, which is a large U.S. company, began producing staples in the Dominican Republic in 2008, and we have been selling increasing quantities of galvanized wire for their production.

In Chile, the wine industry has been
1 growing, so we're increasing our sales of galvanized 
2 vineyard wire to this country. As part of our 
3 philosophy and approach to doing business, we have a 
4 long-term commitment to supply the requirement of 
5 these applications. 
6 Our increased production of downstream 
7 products in our projections for increased demand for 
8 wire in Mexico and third-country markets will require 
9 increased galvanized steel wire. 
10 At the same time, as I mentioned, we are 
11 operating a full capacity and our production capacity 
12 will essentially not change over the next two years. 
13 Now that we're producing galvanized wire in the United 
14 States, we can supply these growing needs for other 
15 products and market with our wire production in 
16 Mexico. 
17 The second main point I would like to 
18 address is galvanized steel wire pricing in the U.S. 
19 market. Raw material costs are typically the starting 
20 point in our price negotiations with our U.S. 
21 customers. 
22 We often begin with a discussion of scrap 
23 steel cost. Since we make our own steel from scrap 
24 and from there we make billets, rods, and finally 
25 galvanized steel wire.
Scrap steel costs bottomed out in 2008 and then increased each year from there. As our scrap steel cost increased, we faced pressure to increase our galvanized wire prices to account for the higher costs.

However, there is typically a time lag between the time you incur higher costs and when you can begin to recover those costs during higher prices. Based on our knowledge of the U.S. market, I think this time lag is also an issue for U.S. producers in their pricing of galvanized wire.

Thank you. This concludes my comments.

I'll be happy to answer any questions.

MR. CAMPBELL: This is Jay Campbell again. Thank you, Daniel, and our next witness will be John Kocerka.

MR. KOCERKA: Good afternoon. My name is John Kocerka, and I'm president of H&J Products, LLC, a distributor of wire and related products based in Saint Augustine, Florida.

I started H&J in 2008. Before then, I worked for Nelson Steel a manufacturer of wire products that was located in New Salem, Pennsylvania. In total, I have over 20 years of experience buying and selling wire and wire-related products.
We buy and sell approximately 150 tons a month of galvanized wire. Most of our sales are for the production of bale ties used for recycling. These types of bale ties require low carbon galvanized wire with a commercial coding and engages from 15 to 11, but mostly 14 gauge.

We mostly supply to Ohio, Pennsylvania, West Virginia, and Maryland. If it weren't for Deacero, my company wouldn't exist today. Deacero was the only producer willing to supply us with the 15 and 14 gauge galvanized wire.

When I established H&J in 2008, I attempted to buy galvanized wire from U.S. producers but endured road block after road block.

Leggett and Platt produced very little 14 gauge and declined our business because it went to existing customers. Mid South would not produce 14 or 15 gauge and declined our other business because it might compete with some of their customers.

Keystone declined our business because it was outside of their delivery range. We were unable to establish it, but business relationship with Beckert, they were simply unresponsive to our request for availability and pricing.

We also attempted to do business with
National Standard, but they said they didn't produce 14 or 15 gauge galvanized wire.

We did not contact Johnstown because our understanding was that they did not produce hot galvanized wire which was our preference. And finally, I did not contact Oklahoma Steel because they sell galvanized wire, finish bale ties, and other products in our sales region, and we did not want to rely on a competitor.

In general, I found that U.S. Suppliers of galvanized wire are not all that receptive to new customers. Instead, they appear to just want to sell the same products to existing customers without taking the time to develop new ones.

Deacero is different. I first met Deacero around 2004 when I was working with Nelson Steel. At that time, we purchased galvanized wire from Deacero and other suppliers for Nelson steels production of various wire products.

Upon founding H&J in 2008, I also called Deacero for the purchase of galvanized wire, and they were the only company to express an interest in my business.

Since beginning our relationship with Deacero, we've been very pleased with their quality
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1 and service. Deacero has developed an excellent logistics team and stores products in convenient locations in the U.S. such as Laredo, Indianapolis, Chicago, Chambersburg, and Birmingham.

The company has consistently filled our orders on a timely basis. In addition, unlike U.S. suppliers, Deacero often asks me how they can better serve H&J's needs and then tries hard to implement our suggestions.

Again, if it weren't for Deacero's willingness to supply us with 14 and 15 gauge galvanized wire and reliable service, my company would never have gotten off the ground.

We buy galvanized wire from Deacero primarily because they offer the products that we need at a high level of service, not because of the price.

I've always considered Deacero's prices to be in line with market prices.

Our price negotiations with Deacero always begin with raw material cost which are the main determinate of their prices. Deacero is an integrated producer producing steel from scrap, then billets, and then wire rod, so our price negotiations normally evolve around scrap steel prices and general market conditions.
Raw material costs are also the starting point for price negotiations with any supplier. In 2011, wire rod prices spiked to high levels, and I understand that the Petitioners are blaming imports from Mexico and China for their inability to fully pass on the increase in raw material cost to their customers.

I'm not surprised that U.S. producers may have been forced to accept lower margins in 2011 because we're operating in a different business climate than before the 2009 recession.

Speaking from my own experience, I can't automatically accept higher prices just because my supplier is facing rising costs. I need to ensure that I can charge higher prices to my own customers. Since the recession, this has become more difficult.

Even though the demand for end products made with galvanized wire has been recovering, demand has not climbed back to the level before the recession. In my opinion, these types of business realities explain U.S. suppliers' inability to maintain consistent margins not imports.

As loyal as I am to Deacero, H&J has not purchased 100 percent of our galvanized wire from Deacero. From a purchasing standpoint, it's never a
good idea to rely on a single supplier because you can be left without product if your supplier runs short on material for whatever reason.

So about a year after H&J's business got going with purchases from Deacero, we began looking for a secondary source of galvanized wire. Because U.S. producers were not a viable option, we turned to other source of imports primarily China, Israel, and South Africa.

We typically purchase 90 percent of our galvanized wire requirements from Deacero and the remaining 10 percent from these offshore sources. Although it was helpful to diversity sourcing in this manner, we continued to give the line share of the business to Deacero because of their superior customer service and their ability to provide more reliable delivery and shorter lead times with their U.S. inventories.

I'm not aware of any U.S. importers that are willing to store offshore galvanized wire in the United States, so it's not practical to rely on off-shore imports as a primary source of supply.

We continued to purchase galvanized wire from Deacero after the commerce department imposed preliminary duties on Deacero last November. And we
will continue to purchase galvanized wire from Deacero. After November, we purchased galvanized wire from Deacero's U.S. inventory. Going forward, we will purchase galvanized wire that Deacero produces in its Houston facility, in fact, our first load is scheduled to ship at the end of this month.

That concludes my comments. I'm happy to answer questions you may have.

MR. CAMPBELL: Thank you, John.

This is Jay Campbell again. I'm going to discuss the public data compiled in the staff report and how they support negative injury determination. Our complete arguments are presented in our pre-hearing brief. Today I will just highlight a few key points relevant to the Commission's analysis of the volume price and impact factors.

First volume, consistent with ITC precedent, we encourage the commission to analyze subject import volume in the context of the market conditions that prevailed during the POI.

In terms of absolute volumes, subject imports increased by 14,417 tons during the POI. But this increase occurred as U.S. demand was growing and was far out-paced by U.S. shipment of domestic product
which increased by 87,861 tons, six times as much as subject imports.

Notably, nearly two-thirds of the U.S. industry's increase was in commercial sales where any adverse affects of subject imports would normally be visible.

In relative terms, subject imports market share was flat over the POI both in the total market and in the merchant market. In contrast, the U.S. industry expanded its share of the total market by 2.3 percentage points and its share of the merchant market by 4.3 percentage points.

In 2011, the U.S. industry held dominant shares, 75 percent of the total market and 60 percent of the merchant market. Viewed in the context of growing U.S. demand and the U.S. industries much longer gains in shipment volume and market share, the volume of the subject imports was not significant.

Subject imports largely play a complementary role in the U.S. market, and Mr. Kocerka's testimony provides an example of this.

Next, price effects. The Petitioners' focus their argument on price suppression. The staff report, however, indicates that subject imports were not a significant cause of price oppression for two
main reasons. First, the reported data indicate a lack of any correlation between subject imports and the U.S. industry's cogs to net sales ratio. From 2009 to 2010, the industries cost-to-price ratio decreased at the same time that subject imports were increasing in volume and decreasing in price. Conversely, from 2010 to 2011, the industries cost to price ratio increased at the same time the subject imports were decreasing in volume and increasing in price. In fact, during the same 2010 to 2011 period, subject imports share of the merchant market declined by 2.5 percentage points while the U.S. industry share increased by 2.8 percentage points. These counter trends show that subject imports were not a significant cause of price suppression.

Second, the commission stops findings with respect to the U.S. Lost revenue allegations also demonstrate the absence of any significant price suppressing effects. Also, Daniel Gutierrez and Jack Kocerka touched on some of the market-based explanations for why suppliers cannot always raise priced sufficiently
to cover costs for a given period such as time lags and resistance from customers who would not be able to pass on the higher costs or the higher prices to their own customers.

This brings us to impact. Looking at the economic indicators presented in this staff report, we again see a lack of a causal link between subject imports and the domestic industry's performance.

The U.S. industry achieved significant gains in production, capacity, utilization, shipments, market share, employment indicators, and capital expenditures throughout the POI.

In terms of financial performance, whether we look at total sales or only commercial sales, we see that the U.S. industry's profitability improved from 2009 to 2010 as subject imports increased in volume and market share. And the U.S. industries profitability worsened from 2010 to 2011 as subject imports decreased in volume and market share.

Together with a lack of significant adverse volume or price effects, these counter trends provide a strong indication that the U.S. industry was not materially injured by reason of subject imports.

This concludes my comments. Thank you for your time.
MR. WAITE: Thank you.

MS. ZISSIS: Good afternoon, my name is Kristina Zissis. I'm also here from white and case and also here on behalf of Deacero today. I will briefly address the issue of threat of material injury.

We have requested that the Commission exercise its discretion to decline to cumulate the subject imports from China and Mexico. We believe that this is appropriate given the facts in this case.

The Commission has considered a number of different factors when addressing cumulation in the threat context. The key question is whether subject imports are likely to compete under similar conditions of competition in the U.S. market in the eminent future.

If you apply the factors considered in past cases such as incentive to ship, industry size, capacity to export, volume trends, and geographic concentration of imports, the subject imports should not be accumulated.

First, incentive to ship. We have heard today from Eugenio Gutierrez that Deacero has started to produce galvanized steel wire in the U.S. and for this reason does not plan to export this product from
With its new U.S. galvanizing facilities, Deacero does not have the intent or the incentive to ship. Deacero as you have heard accounts for nearly all the Mexican production and exports of galvanized steel to the U.S. Under these circumstances, it is reasonable to expect that imports from Mexico will be limited.

On the other hand, there are no similar compelling facts for the Chinese producers. The small number of Chinese producers that have submitted questionnaire responses have indicated that they expect to export 11,260 short tons to the U.S. in 2012. That's from the public staff report, table 7-2. We know that these projections are understated because of the limited response to the questionnaires by the Chinese producers. Because of their limited participation, we do not know the full extent of the future presence of imports from China on the market, we do know that it is likely to be more significant than that of imports from Mexico. We think that this fact alone provides a basis to decline to accumulate. A second factor is the industry size and which is an indication to the capacity to export and also export orientation.
The size of the industries in the subject
countries and their capacity to export is on a
different scale. For Mexico, only two producers,
Deacero and Camesa, have exported to the U.S., both
responded fully to the Commission's questionnaire.
The remaining four Mexican producers are small and
serve the Mexican market primarily.

Based on the reported data, the commission
staff included that Mexican producers have limited
unused production capacity. In contrast, the industry
in China is very large with an estimated 279
producers, only 19 of these producers provided
responses to either the preliminary or the final
questionnaires.

These companies represented only 50.1
percent of U.S. imports of galvanized steel wire in
2011. The capacity for these Chinese producers is,
therefore, extremely understated in the report.

As Mr. Waite showed in chart 5 this morning,
the total exports for China in 2011 were 849,762 short
tons. This is more than three times the total
capacity reported by Chinese producers to the
commission.

We do not know the correct complete capacity
for the Chinese producers, but we do know that their
capacity must be substantially larger than what has been reported.

Although the questionnaire data are lacking, table 77 in the staff report shows that China has greater export capabilities and can be considered more expert oriented than Mexico and the most recent year for which data are available for exports from both countries, that this 2010, total exports for China were 762,102 short tons whereas the total exports from Mexico were only 67,345 short tons.

Third, the volume trends. The volume trends for the subject imports historically and also during the POI have been different. Please see page 25 of our brief for a table showing these trends.

And then finally, the geographic concentration, the confidential data collected in the staff report show that imports from China and Mexico are concentrated in different geographical regions.

Although Deacero can sell nation-wide, the imports from Mexico were concentrated in certain regions. These are not the same regions in which imports from China were concentrated.

In conclusion, we believe that these factors support decumulation of the subject imports and, if considered alone, imports from Mexico do not threaten
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1 the U.S. industry. Deacero does not plan to export to
2 the U.S. As imports from Mexico are likely to be
3 limited, they will not have adverse price effects or a
4 significant adverse impact on the U.S. industry.
5     Thank you. That concludes our presentation
6 on behalf of Deacero.
7     CHAIRMAN OKUN: Thank you.
8     Mr. Cameron?
9     MR. CAMERON: Joaquin Barrios from WireCo
10 WorldGroup.
11     MR. BARRIOS: Good afternoon. My name is
12 Joaquin Barrios, and I am the senior vice president of
13 Global Supply Chain Management at WireCo WorldGroup,
14 Inc.
15     Prior to that, I was the senior vice
16 president Mexican operations for WireCo. WireCo is a
17 U.S. manufacturer of high carbon galvanized steel and
18 wire as well as a leading us manufacturer of high
19 quality galvanized wire rope.
20     Wire company manufacturers hide carbon GS
21 wire as its facility in Chillicothe, Missouri.
22 Virtually, all of that high carbon GS wire at its
23 facility in Chillicothe, Missouri. Virtually all of
24 that high carbon GS wire is consumed internally to
25 manufacture high quality galvanized wire rope in
WireCo's facilities in Saint Joseph, Missouri, Sedalia, Missouri, and Rosenberg, Texas. WireCo's galvanized steel wire rope is among the best in the world. WireCo sells very little of its domestically produced high carbon GS wire in the merchant market. Approximately seven years ago, WireCo purchased Aceros Camesa in Mexico. WireCo uses hard carbon GS wire produced by Camesa to complement its domestic production of GS wire for use in its U.S. wire rope manufacturing operations. WireCo also sells a small amount of high carbon GS wire to unaffiliated producers for incorporation into their products.

I am here today because WireCo believes that the high carbon GS wire that we import is a very different product from the low carbon GS wire that is being targeted by the petitioners in this investigation and that our imports of high carbon GS wire, some of which are captively consumed in manufacturing steel wire rope in the United States, are not causing injury to any domestic GS wire manufacturers.

We have comprehensively addressed the legal criteria for defining a separate like product in WireCo's pre-hearing brief. In my testimony this
afternoon, I would like to focus on three key points with respect to high carbon CS wire. 

First, high-carbon GS wire, defined as galvanized steel wire with a carbon content of over 0.64 percent. It's a specialty product with distinct physical properties that make it suitable for use in certain specific applications.

High carbon GS wire has significantly greater tensile strength, a higher breaking strength, and greater wear resistance than low carbon GS wire. In addition, it is also less malleable than low carbon GS wire allowing, for example, a mechanical spring to consistently maintain its strength and form even after repeated use.

These physical properties of high carbon GS wire make it ideally suited for certain specialty products such as mechanical springs, music wire, industrial brushes, and these characteristics also make high carbon GS wire ideal for using Guicose (phonetic) of high-strength galvanized steel wire ropes which are used in cranes and in certain mining, oil and gas drilling, and other industrial uses.

The great majority for wire ropes require tensile strengths of 1960 or 2160 megapascal rates and this definitely cannot be made with wires below 0.65
carbon content.

These same physical characteristics however also make high carbon GS wire suitable for many common applications for which low carbon GS wire is used such as fencing, back ties, bailing wires, coat hangers, and staples.

Second, high carbon GS wire is more expensive to produce and uses a different production process than low carbon GS wire. High carbon GS wire is produced using high carbon steel wire rod. High carbon wire rod is more expensive than low carbon wire rod and requires different production techniques and processes to draw it into the wire.

The high carbon wire rod must be descaled using a chemical rather than a mechanical descaling process. The wire drawing process is also different for high-carbon GS wire.

When drawing galvanized wire rod, different lubricants are used instead of the lime solution that is typically used when producing low carbon GS wire. In addition, because of the higher tensile strength, higher power drawing equipment is needed and the line speed is slower than for low carbon GS wire.

A slower line speed means less output per hour and, therefore, higher processing costs. Special
handling and cooling techniques must also be used to prevent excess heat which can damage the wire by causing dynamic strength aging.

While low carbon GS wire is normally produced by first drawing the wire and then galvanizing it, high carbon GS wire is normally produced as drawn galvanized wire.

Depending upon the specific product being produced, WireCo will either galvanize the wire rod and then draw it to the finished wire diameter or it will first draw the wire rod to determine the diameter, patent the wire, galvanize the patented wire, and then draw the galvanized patented wire through the final wire diameter. Using this more complex process improves the strength, malleability, and fatigue resistance of the finished wire.

Finally, while low carbon GS wire is normally heat-treated by annealing high carbon GS wire with bars patenting. The times, temperatures, and cooling profiles of patenting are very different than for annealing meaning that different production equipment must be used.

As a result of these differences in the production process, it is not possible as a practical matter to produce high-carbon GS wire on wire drawing
equipment designed for low carbon GS wire production. WireCo’s production facilities in the United States and Mexico use specialized machinery and equipment that has been optimized for the production of high carbon GS wire.

Third, the U.S. market for high carbon GS wire is very different than for low carbon GS wire. As already noted, most of our production of high carbon GS wire is internally consumed to manufacture high-strength steel wire rope in the United States. The merchant market for high carbon GS wire is essentially a specialty market composed of various niche and uses such as certain mechanical springs, music wire, industrial brushes, umbilical cables, etcetera.

This is not a commodity market, and the volume of sales is much smaller and the prices are substantially higher than the market for low carbon GS wire.

We at WireCo believe that it is the largest imported of high carbon GS wire from Mexico and our experience has been that we are not competing with the petitioning companies on any of our major merchant customer accounts. Our customers are buying high carbon GS wire for very specific applications and
would not be buying low carbon GS wire.

In view of the unique properties and distinct markets of high carbon and low carbon GS wire, we do not believe that it is appropriate to lump these two distinct products together when considering the domestic industry's claim of material injury.

High carbon GS wire is a very limited segment of the market. The import volumes are very small and the prices are high. It is inconceivable to us that imports of high carbon GS wire are causing any injury to the domestic GS wire industry.

Furthermore, given that we're high capacity utilization in Mexico and the limited quantities of imports of high carbon GS wire, we also believe that imports of high carbon GS wire do not pose a threat of injury to the domestic industry.

Thank you. I will be pleased to answer any questions.

MR. CAMERON: Don Cameron, and I'm accompanied by my partner Will Planert appearing on behalf of Wireco. Just a couple of brief points in addition to Joaquin's presentation.

First, we heard this morning from Dr. Magrath that it was absurd for Mexican Respondents to have requested pricing comparisons on -- I believe he
characterized it as five percent of the market which was high carbon, and He finds the prices for product 7 to be abhorrent.

Well, we'll address further in our post-hearing brief the details with respect to product 7, but suffice to say that actually it's a very high carbon price product. It's not abhorrent, and it actually is pretty typical of the products that Wireco makes.

So the second thing is that the reality as to why we requested pricing comparisons for high carbon is that actually high carbon isn't the focus of this case or of these domestic producers. But it is the focus of Wireco because that's what we produce, the over 0.64 percent carbon content.

So the high carbon price comparisons were critiqued. Why? There really weren't any. I mean, there were very few domestic reported prices for high carbon, and to the extent that there were price comparisons in product 7, the U.S. producers were oversold by a significant amount by Mexican producers.

So I understand Dr. Magrath's point, but I believe that that actually is our point. This case is not about high carbon GSW, and it is a separate light product.
Secondly, there was a question this morning about the common machinery, and we heard from the witness from Oklahoma Wire saying we use all the same equipment. Now, he also -- this is the same witness who wanted to redefine what we are calling high carbon wire, galvanized wire, as over 0.44 percent, lowering the bar.

In fact, he testified that their maximum production is 1065, 0.65 percent carbon. Well, that's fine but actually virtually all of our production is over 0.65 which is exactly the point. This is a very separate product. There is separate machinery as Mr. Barrios will be glad to discuss with you if you have any questions about it later.

Secondly, we heard from Mr. Cronin of Davis wire saying that he uses the same machinery. But if you listen to his testimony or read the transcript, it appears that what he was describing was the galvanizing line not the drawing line.

So if he's saying that we use the same galvanized hot pit to contain the zinc, you know, we agree because it doesn't matter whether it's high carbon or low carbon going through a zinc pot. That's not the issue.

The issue is the line drawing machines, and
the drawing machines are different for high carbon and
low carbon. They have different qualities. They
require different line speeds and there are different
characteristics, and they cost a different amount of
money. Again, Mr. Barrios can explain further if you
have any questions with respect to that.

With that, we conclude our end of this
testimony, and I believe that's it for this panel and
we're happy to take any questions. Thank you for your
patience.

CHAIRMAN OKUN: Thank you very much, and
before we begin our questions this afternoon, let me
take this opportunity to welcome this panel. I very
much appreciate all of you that have taken the time to
be with us, for those who have traveled to be here.
We especially appreciate the time that you have made
to answer questions.

And Commissioner Pinkert will start the
questions this afternoon.

COMMISSIONER PINKERT: Thank you, Madam
Chairman, and I join the Chairman in welcoming all of
you and thanking you for being here.

I want to begin with a couple of questions
on the high carbon issue, and the first one, Mr.
Cameron, please don't think that I've judged this
question. I just need to know your view --

MR. CAMERON: Wouldn't think of it.

COMMISSIONER PINKERT: -- okay. Your view
of whether the domestic like product issue was timely
raised in this proceeding.

MR. CAMERON: Yeah, we believe that it was
timely raised in this proceeding. We were not
involved in the preliminary phase of this
investigation.

We did comment on the questionnaires for the
final phase of this investigation and the staff
actually has diligently collected the information. We
believe there's sufficient evidence on this record to
support the arguments that we are making.

COMMISSIONER PINKERT: Thank you. Now, you
heard this morning petitioners say that the high
carbon is not always a premium product in the
marketplace. Sometimes it's a premium product but not
always a premium product. Do you agree with that? Do
you disagree with that? Do you want to put it in some
kind of context?

MR. CAMERON: Sure. Go ahead, Joaquin.

Well, I mean, if we're talking 100 percent, I suspect
that the answer of absolutes as different is a very
difficult thing to say.
Our understanding of the vineyard wire is that its 1055 to 1060 which is, of course, not high carbon when it's defined as over 1064 grade. With the 1064 grade, when we're talking about the umbilical cable, for instance, that is cable that is going down under the sea for various uses.

The galvanized steel wire rope, steel wire rope is a -- now, do want to call it a specialty? Do you want to call it high tech? It is a very demanding use, and I think that it would be more proper, I suppose, to discuss demanding uses.

But I believe that it is a fair characterization.

Joaquin, why don't you --

MR. BARRIOS: I do agree. Even in low carbon and high carbon we have too many different types of products. Our point is that in our case we're mainly concentrated in steel wire rope and wire rope is much more demanding, technically speaking, starting with raw material, with process capabilities, and the finish characteristics. The physical characteristics of the wires are different, more demanding, more expensive to produce than the general trends of low carbon wire rope family -- well, wire family.
MR. CAMERON: And I think when you listen to the description of the products which was -- the mantra from the domestic producers, it was really a litany of products that use low carbon galvanized wire.

I mean, that's fine. There's nothing wrong with that. We live with those things. We need staples. We need paperclips. We need the variety of products that are produced with low carbon including chain-link fence, etcetera.

But it's also clear when you look at the tables in the staff report that that is the bulk of what is going on here, and you cannot make the high carbon galvanized steel wire using low carbon. You can't use it interchangeably.

MR. BARRIOS: I would just make another final comment in this regards is that I don't know any rod mill here in the United States or in most part of the world that they sell the same at the same price a low carbon rod meaning 1006, 1008 and a rod with a carbon content over 0.74 or 0.85 carbon content. I mean, the price of the rod in any U.S. rod bill or I would say in most of the rod mills world-wide will have a different price to start from.

COMMISSIONER PINKERT: Thank you. Now
turning to the internal consumption and transfer to related firms issue that was raised by some of the other folks on the panel, what I would like to know is whether it's your contention that such production, internal or transferred to related firm, is insulated from the impact of import competition solely because it's internally consumed or transferred to related firms or is there some other factor or set of facts on the record of this case that warrants a more fact-specific judgment that these transfers and internally consumed products are insulated from the impact of subject imports?

MR. CAMPBELL: Thank you, Commissioner Pinkert. This is Jay Campbell.

To answer your question, no we are not making a more fact-specific argument as to why there is insulated competition when you're talking about the U.S. producers' internal shipments for consumption and to transfers to related firms.

Our point is based on Commission precedent in which the Commission has acknowledge that when there's a large portion, a significant portion, of the US industries production of the domestic-like product that is consumed internally or transferred to related parties for production of downstream products, that is
a limiting factor in the competition and that the real
direct and the head-to-head competition occurs in the
commercial market.

And for that reason, the Commission has
chosen to look at the U.S. industries performance
indicators on commercial sales because that is where
any adverse effects from subject imports would be most
apparent.

So that is the legal point we're making, and
touching on that there was some testimony this morning
from Oklahoma Steel, and the gentleman was talking
about, no -- you know, yes, I guess all of Oklahoma
Steel's production is for internal consumption, but he
said that we are not -- nevertheless, we are not
insulated from competition from subject imports. And
he pointed to Oklahoma Steels affiliates, Southwestern
and Iowa Steel which only sell galvanized wire in the
merchant market.

So really that just kind of helped support
our point. He's pretty much conceding that, look, our
internal shipments are separate. We're not competing
with subject imports there, but look at my affiliates,
Southwestern and Iowa Steel. That's where the
competition occurs.

MR. CAMERON: Commissioner, just briefly.
You know, obviously when it's internal or captive production, you're not competing with outside forces. Nobody we heard this morning was suggesting that their internal consumption is somehow competing with imports. But it was interesting to hear the testimony. I can't remember which witness it was who said that, well, part of the problem was that the downstream product wasn't making any money, and it really was the competition on the downstream product that was injuring their domestic production of galvanized steel wire. And I would suggest to you that, yeah, it sounds like from his description that that was what was happening, and I would suggest to you that that's not a cause of -- that's not caused by imports of galvanized steel wire. That's a downstream product issue.

COMMISSIONER PINKERT: Let's stay with that thought for a second, Mr. Cameron. If the company is facing competition in the downstream market that is using subject imports to produce the downstream product, then couldn't there be an impact from those downstream sales back to the internal consumption by the domestic industry?
MR. CAMERON: Well, Commissioner, I think that is going to be a very difficult thing to prove first off. Secondly, there's no evidence on the record that it necessarily is because of imports. What he was saying was, and this was the testimony that we heard earlier with respect to, well, the conditions of competition in 2011 have changed and I can't necessarily pass on everything on my end product and therefore where does the price pressure come. And that doesn't necessarily mean that it was imports from somebody else that was creating the price problem on the chain link fence. It may be that the farmers that are buying the chain link fence said, I don't care. I can't pay you one dime more than that. And I believe that that was the tenor of the testimony that we heard.

CHAIRMAN OKUN: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Madam Chairman. And I would also like to extend a welcome to our witnesses here today. My first question would probably best be addressed by Mr. Eugenio Gutierrez or Mr. Daniel Gutierrez, and involves the market in Mexico.

I understand that Deacero is operating at very high capacity at your facilities in Mexico, and I
was wondering what is the demand like in Mexico at this point and time, and what do you expect for the future? If you're operating at high capacity, there must be a great deal of demand.

MR. E. GUTIERREZ: Thank you, Commissioner. Eugenio Gutierrez from Deacero. Demand in Mexico is improving. Government infrastructure projects are onsite, and we see demand picking up in different sectors. And that is one of the reasons of Daniel's point of why things are picking up.

MR. D. GUTIERREZ: Daniel with Deacero. And at the same time as we had mentioned in our testimony awhile ago, we are a very wide company in Mexico where we are 10 different sectors. So much of the sectors related to infrastructure and to projects in Mexico are going upstream in a nice way where we are capable of supplying our products to them.

COMMISSIONER JOHANSON: What types of providing in Mexico? I know you produce a large number of downstream products.

MR. E. GUTIERREZ: I mentioned a bit during my presentation, for the construction sector, it ranges all the way from nails to welded wire to rebars from steel mill. So there is a full range of products that we serve through that market.
COMMISSIONER JOHANSON: And just out of curiosity, do you have competition from U.S. suppliers in the Mexican market?

MR. E. GUTIERREZ: Yes. We have competition. In fact, imports from the United States on steel is higher than exports from Mexico to the U.S.

COMMISSIONER JOHANSON: Not including galvanized steel wire though?

MR. E. GUTIERREZ: I'm talking whole market steel.

COMMISSIONER JOHANSON: Right. Okay. Okay. Thank you. I'd like to now turn to your facility in Houston which you are developing. I was wondering, what is the time frame for production at that facility, and how soon do you expect to produce a volume sufficient to replace your imports from Mexico?

MR. E. GUTIERREZ: For the first question, we've had that facility since we acquire Wire Rope Manufacturing in the U. S. since 2007, and that has been producing since 2007 Wire Rope. During the past months, we install the galvanizing line, we install it, and it is already under protection. We will have further, we will provide further comments that are confidential in the
post-hearing brief. Did I answer your question?

COMMISSIONER JOHANSON: Yes, you did, and if you provide that in the post-hearing brief, that would be helpful, in particular when you expect it to be able to replace your Mexican supplies or your Mexican exports to the U. S. Thanks.

The Petitioners have argued that subject import volumes declined due to imposition of the preliminary duties. And they provided monthly import data to support this claim. Is there an alternative explanation for the declining trend for subject imports from Mexico after October 2011?

MR. E. GUTIERREZ: Yes. Eugenio Gutierrez from Deacero again. We did not want it to bear any risk of liability of antidumping. So we decided prior to this to ramp up inventory during prior months of the preliminary in order to satisfy our U.S. affiliates until we were able to manufacture with our galvanizing steel line which started production this month.

COMMISSIONER JOHANSON: Thank you. Yes, Mr. Campbell.

MR. CAMPBELL: Thank you. I just wanted to add a footnote on that just for some background. Deacero is actually, Deacero is U. S. affiliated.
Deacero U. S. A. is the importer of record for all of Deacero of galvanized steel wire to the United States. So with the U. S. system of retrospective anti-dumping duty assessment, in Dakar's assessment. Bad word. In Dakar's judgment or calculation, you know, as the importer of record, as Eugenio touched on, they didn't want to have to deal with the uncertainty of the anti-dumping liability. It's a very rational decision.

COMMISSIONER JOHANSON: All right. Thank you for the explanation. I now have a question which involves China to some extent. So hopefully, you'll be able to answer this question. If not, then we can move on.

The volume of imports from China has been steadily decreasing while the volume from Mexico has been climbing. Do you all have an explanation for this? Do you know why this is the case?

MR. D. GUTIERREZ: We believe, this is Daniel with Deacero. We believe that, as I stated in my testimony, but scrap price's bottom in 2008. Most of the imports from China take quite a long to arrive into the U. S. So the U.S. customers didn't want to take the risk of having a price change versus the domestic price. So that's primarily the main reason
1 of it.

2 COMMISSIONER JOHANSON: All right. Yes,

3 Mr. Campbell.

4 MR. CAMPBELL: Just adding to that. You

5 know, there was testimony this morning from one of the

6 U.S., from one of the petitioners on this as well

7 noting that ever since the 2009 recession, U. S.

8 customers have demanded more timely and just-in-time

9 delivery. And with Deacero's distribution network in

10 the United States, they are more attractive than an

11 import source such as China or any other offshore

12 source.

13 COMMISSIONER JOHANSON: All right. I

14 understand that. In fact, I have another question for

15 you along those lines. Do you actually do your

16 manufacturing in Monterrey?

17 MR. E. GUTIERREZ: Eugenio Gutierrez from

18 Deacero. Yes, in Monterrey and other states of

19 Mexico.

20 COMMISSIONER JOHANSON: Okay. So Monterrey

21 is about two hours from the border or something like

22 that.

23 MR. E. GUTIERREZ: Correct.

24 COMMISSIONER JOHANSON: I took a bus down

25 there once. So I know the distance quite well. I
went from, I guess, Laredo to Monterrey. I've been on that very wide highway. So, okay. Thank you. To what do you attribute the domestic industry's ability to gain market share during the period of investigation? Do you all have any theories on that?

MR. CAMPBELL: This is Jay Campbell. We haven't given it a lot of thought to be honest with you, but I think it has a lot to do with, probably mostly to do with their advantages of being located right there in the United States closest to the customers able to provide just-in-time delivery.

And, you know, in the staff report, you do get a sense that there are a number of U.S. purchasers that really welcome those, the U.S. industry's ability to deliver quickly and also they speak to a perception of better quality from U. S. product.

COMMISSIONER JOHANSON: All right. Thank you. Galvanized wire demand recovered after the recession and the domestic industry was able to increase its production, shipments and share of this market, but yet it remained unprofitable, the domestic industry did. The Petitioners attribute this unprofitability to subject imports. Do you all have an alternative explanation?

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MR. CAMPBELL: Yes, we do. Our explanation is basically that the U.S. industry's performance correlates with demand. So the U.S. industry was doing better as demand rose and again, we were starting from a 2009 recession as the base.

So it was a very bad year. 2009-2010 demands increasing. 2010-2011 demand is also increasing and the U.S. industry is improving in terms of most of its economic indicators in terms of production, shipments, market share.

But nevertheless, demand is still not where it was before the 2009 recession. So there's still a way to go. On top of that, so we did see, the U.S. industry was increasing its profitability from 2009-2010.

But then from 2010-2011, their profitability declined. And again, that goes to the cogs to price ratio and the fact that raw material costs, wire ad costs increased quite a lot in 2011, and the U.S. producers weren't able to maintain their margin.

They blamed subject imports for that, but throughout the POI there is no correlation between the subject imports, the volume of subject imports and the U.S. industry's cogs to price ratio.

So basically, we think the U.S. industry's
1 performance ties perfectly, is explained by basic
2 market conditions, demand, and then the fact that raw
3 material costs in 2011 spiked.
4 And in today's business climate, you know,
5 it's not so easy to pass on those costs to customers
6 who are facing difficulty would have to, in turn, pass
7 those costs onto their own customers.
8 COMMISSIONER JOHANSON: All right. Thank
9 you for your answers. My time is expired.
10 CHAIRMAN OKUN: Thank you again for your
11 responses thus far. Let's see. I would like to start
12 with producers, but let me start with the legal
13 argument although I was going to mention to folks if
14 you're hearing the large, not the phone which needs to
15 go off, but if you're hearing the large bumps in the
16 back, we do have a window washer back there.
17 So we'll just work through that. It's
18 better than, we've had jack hammers doing
19 construction. So I will proceed once the phone is
20 off. Now the bells. Okay. Mr. Campbell, I'll start
21 with you on a legal question and saying for Mr.
22 Gutierrez which is, I appreciate the honesty of the
23 response about the pendency.
24 The petition did impact import volumes that
25 you made a rational business decision to serve
existing customers. And so you would agree that Mr. Magrath's chart is, I mean, the way the Petitioners argued, it did impact Mexican volume.

So my question for you on the legal side is, the statute allows us to give less weight to the data is there's an impact from the pendency of the petition. And I wanted to get your legal argument with respect to that and with respect to the other data post-petition or post-preliminary duties.

MR. CAMPBELL: Sure. Looking at the preliminary determination, no. We would argue that the 2011 subject import volumes are representative. The preliminary determination didn't come in until late, very late in the year.

There were only two months left. On top of that, to the extent there was any ramping up or additional importing of subject imports in anticipation of an affirmative preliminary determination, that just means that the total 2011 import volume is representative because importers were trying to anticipate that and import volumes in advance to fill out the remainder of 2011 and even a little bit into 2012.

So when you consider those two factors, we submit that the 2011 subject import volume is still
1 reliable and should not be discounted.

2 CHAIRMAN OKUN: Okay. I probably didn't ask
3 that question very well. The questions for the panel
4 this morning with Mr. Magrath about, you know, if
5 you're looking at that chart, and at the import
6 volume.

7 And should we also be trying to collect data
8 on that time on the cogs to sales ratio and the other
9 financial performance to see if it's correlating with
10 those volumes as opposed to just the overall 2011
11 number.
12
13 Do you see a distinction there or you
14 wouldn't try to break that out to try to understand
15 what's going on?
16
17 MR. CAMPBELL: Okay. So the question is
18 whether, for example, the Commission should request
19 monthly financials?
20
21 CHAIRMAN OKUN: Well, we have monthly import
22 data, but I think one of the questions you heard us
23 asking the panel this morning was, okay, we see import
24 data. We're not sure we can see what's going on with
25 respect to the cogs sales ratio or with profitability
26 tying up with that volume data.
27
28 How would you have us evaluate that given, I
29 mean, there are decreases in the import volume. How
would you have us analyze the other factors with respect to what's the causation or what's the causal connection to subject imports in that period?

MR. CAMPBELL: Again, we believe the record shows a lack of correlation between the subject import volumes and the U.S. industry's profitability in terms of 2011, that import volume again, we believe for subject imports, we believe is representative.

And looking at the U.S. industry's cogs to net sales ratio, from 2010-2011, it increased, but it did so as subject import volumes decreased. And the average year to values subject imports increased.

So that shows a disconnect, a lack of correlation. And we think it's reliable because, again, we think the import, subject import volumes for 2011 are reliable.

But you don't have to limit it. To show the evidence that that there is a lack of correlation between the subject imports and U.S. industry's cogs to net sales ration isn't limited to the 2010-2011 period.

It's across the board. Even if we start from 2008 and go to 2009, from 2008-2009, the U.S. industry's cogs to net, and that's pre-petition, U.S. industry's cogs to net sales ratio, I want to make
1 sure I get this right, increased.
2 And that occurred as from 2008-2009, the
3 volume subject imports decreased considerably, and the
4 average unit values of subject imports also decreased.
5 And then we have another period to look at, 2009-
6 2010.'
7 During that time frame the U.S. industry's
8 cogs to net ratio decreased at the same time that the
9 volume subject imports increased, and the average unit
10 values of the subject imports decreased. So
11 throughout the POI, we don't have to just look at
12 2010-2011 time frame.
13 Also looking at 2008-2009, 2009-1010, and
14 2010-2011 across the board, we see a lack of
15 correlation between subject imports and the U.S.
16 industry's cogs to net sales ratio.
17 So the record evidence just does not support
18 the Petitioner's argument that the subject imports
19 were a significant cause of price suppression.
20 CHAIRMAN OKUN: Thank you for those
21 comments. Mr. Kocerka, let me turn to you a moment.
22 You had in your testimony talked about your inability
23 to source domestically. And I just wanted to be sure
24 I understood.
25 When you were attempting to source
domestically from those who were not competitors and I understood you were making distinctions. If someone was a competitor, you wouldn't want to source from them.

Was that during the period we're looking at?

You can use your microphone or make sure it's close to you.

MR. KOCERKA: I'm sorry. That was in late 2008 and early 2009.

CHAIRMAN OKUN: Okay. And do I understand this correctly, you haven't filled out a producer questionnaire?

MR. KOCERKA: I never received one and didn't even know about it until I talked to Mr. Campbell, and I have one and I will complete it this weekend and turn it in by Monday.

CHAIRMAN OKUN: Okay. Thank you for that. And then, okay, I may come back to that. I had some other questions for you, but also I wanted to just have the opportunity to ask Mr. Eugenio or Mr. Daniel Gutierrez.

I know you're providing information confidentially. If there is information that you're providing, if you can just indicate when it was prepared, you know, the timetable for the
1 documentation that you're submitting.
2 And then also, if included in there or
3 otherwise in your business plans, they're the
4 corporate level or otherwise, if you have demand
5 forecasts in there for demand for the U.S. market and
6 the Mexican market, I'd appreciate seeing those as
7 well.
8 MR. D. GUTIERREZ: We'll do so. We'll
9 provide that information in the post-hearing brief.
10 And I can tell you that the investment in the
11 galvanizing line, it's not a decision of a day or two,
12 but it's prior months of planning. Thank you.
13 CHAIRMAN OKUN: Okay. Thank you for
14 providing that information afterwards. And then I
15 wanted to give you an opportunity to comment on the
16 capacity utilization figures for the domestic
17 industry.
18 And often I don't ask the Respondent's panel
19 to do that because, you know, you don't know their
20 business. But because we have producers here, I'm
21 curious if there is anything further you could say
22 about capacity utilization, how it affects the
23 financial performance of this industry.
24 MR. E. GUTIERREZ: I don't have the numbers
25 in the top of my head. But we will respond to that in
1 the post-hearing brief.
2   CHAIRMAN OKUN: Okay. Thank you. Mr.
3 Campbell.
4   MR. CAMPBELL: Just to add to that, also the
5 domestic industry's capacity utilization figures
6 should be looked in total and in context. You know,
7 they complain about the excess capacity utilization
8 that they have, but it is notable that in each year,
9 the POI capacity utilization increased significantly.
10 And in addition, it's notable that in 2008,
11 which was the peak demand year, their capacity
12 utilization rate was 60 percent. So that's kind of a
13 high-water mark, about as reasonable as they could
14 expect.
15 And they're back to that level in 2011. So
16 really historically, their capacity utilization ramped
17 up to a strong level if you look at their historical
18 trends.
19   CHAIRMAN OKUN: Thank you for those
20 comments. I'm going to look forward to what you can
21 put in post-hearing as well. And rather than try to
22 start a new question, my time is about up. I will
23 turn to Vice-Chairman Williamson.
24   VICE-CHAIRMAN WILLIAMSON: Thank you, Madam
25 Chairman, and I do want to express my appreciation to
the witnesses for coming this morning. We know you've
taveled a long way.

Mr. Cameron, I was wondering, with respect
to the high carbon wire, you point out that some
production, you point to some production examples
mentioned by the domestic industry witnesses, was
actually below the .64 percent carbon, 0.64, excuse
me, threshold that you propose.

And I was wondering if the existence of
substantial products close to the threshold suggested,
that you suggest, does this suggest that this product
really is a continuum?

MR. CAMERON: I think that's a good
question, but I, actually we question whether or not
there are substantial products that are close to it.
We found it interesting when looking at the data both
in the staff report and our own experience.

To produce our products, we aren't producing
on a continuum. We concede that there is a continuum
below that and that's fine, but in order to produce
the high-carbon GSW, that's a bit problematic to be
using lower carbons in order to get the physical
properties that are going to be necessary for the end
use demands.

It's not simply one end use product. There
are a variety of these products, but they are all very demanding. And so I think the answer to that is, no. Do you have anything you want to add?

MR. BARRIOS: No, I mean you can produce low carbon wire in high carbon wire drawing machines, but not vice versa, with the right quality and with the right productivity. I think that those are two important things that you need to consider. I'm sorry. This is what wires would work.

VICE-CHAIRMAN WILLIAMSON: Well, may I suggest posterior that you take a look a this Table 2 and the volumes there and sort of help us understand, putting your arguments in that context would be helpful.

And are you really suggesting maybe is there a high carbon category that really should be there that's much greater than the 0.64?

MR. CAMERON: Well, the 1064 thought the top is actually, is the category. It encompasses 1064, 1065. It encompasses 1074, 1080. We have all of those various products.

They are various strengths, but they're comparable in a very basic sort of way in terms of tensile strength and in terms of carbon content, and in terms of the demands of the end use. Do you have
MR. BARRIOS: Yes. I mean and it doesn't finish in 1080. Actually, you can go beyond, and I think that we would like to provide this information in a different biorhythm. But I mean, yes, there are, and I can tell you those are really high, high, high tech wires and eventually high technical ropes that we are interested in.

MR. CAMERON: This is the reason that we have a high cutoff on this. I mean this is not, we're not trying to have a broad spectrum or somehow define some broad category that you can drive a truck through.

This is actually very specialized stuff. It's very demanding galvanized steel wire, and that's the reason for making the cutoff so high. It happens to be a coincidence that Oklahoma Wire says, yes, we produce from, I think he said 1008 or something like that. All the way up to 1065.

Well, that really is what we're saying I think in terms of the way this is done. They don't produce higher than that. Why not? Well, for one thing, he doesn't have the machinery to produce the 1065 and above in any efficient manner it appears.

So I think that it's, this is the definition
that we use because it's appropriate and we believe that it does fit the facts we think support our argument.

VICE-CHAIRMAN WILLIAMSON: Well, looking at the numbers on that table, you could have addressed all this post-hearing.

MR. CAMERON: Will do so.

VICE-CHAIRMAN WILLIAMSON: Thank you very much. Stinking with you, if, hypothetically, if the Commission were not to find high carbon and low carbon wire to be separate like products, do you have a position on injury and threat relating to the single like product?

MR. CAMERON: We have fully endorsed the position of Deacero with respect to that. We don't see that there is any causation here, and we also support the theory that if there is anything, you should be focusing on threat.

And on threat, we should be looked at on a decumulated basis. And if you look at it that way, there is no way that you can find threat of injury by reason of imports from Mexico.

VICE-CHAIRMAN WILLIAMSON: Okay. Thank you.

Mr. Kocerka?

MR. KOCERKA: Kocerka, yes.
VICE-CHAIRMAN WILLIAMSON: Excuse me. I'm sorry. Do you ever compete for sales with any U.S. produced wire?

MR. KOCERKA: With Oklahoma Steel. They produce wire and bale ties, and ship into the area that I sell into and then have manufactured into bale ties.

VICE-CHAIRMAN WILLIAMSON: Okay. Okay. And so that's why you were not expecting to get source on them.

MR. KOCERKA: That's why I did not ask them for sourcing because I would be competing directly with them. And at that point, I had found Deacero to be willing to provide me with the 14 and 15 gauge wire which would account for about 60-70 percent of the galvanized wire needs.

The other sizes would account for only 30 percent. So I found a source, and as Deacero developed their distribution, at that time that I started, that they only had Indianapolis.

But since then have added Chambersburg, and we were able to work out programs so that we had an available of wire, and more consistent supply. It just worked out that I became a very good customer of Deacero.
VICE-CHAIRMAN WILLIAMSON: Okay. Okay.

Thank you for that clarification. Deacero, in general, how does the profitability, and this may have to be post-hearing. I understand.

In general, how does the profitability of your sales or wire to the merchant market compare to the profitability of what you manufacture internally into downstream products?

You see why I suggest these might have to be addressed post-hearing.

MR. E. GUTIERREZ: Yes. Eugenio Gutierrez from Deacero. We'll be happy to provide that information on a confidential basis in the post-hearing.

VICE-CHAIRMAN WILLIAMSON: Thank you. Let's see. Okay. Mr. Kocerka, are there any other investigations into which the Commission has split light products based on the carbon content of the steel?

MR. CAMERON: We can look at that. I think there may be some, but we can look at it.

VICE-CHAIRMAN WILLIAMSON: Okay. Thank you. I think this may have already been addressed. But the 64 percent, 0.64 percent, is there industry definition of what is high carbon and what is not?
MR. BARRIOS: There is not, and I think that some of the Petitioners this morning said exactly the same. There is no clear line saying this is high carbon, this is low carb.

VICE-CHAIRMAN WILLIAMSON: And your reason for choosing to use that distinction is because of the nature which you produce?

MR. PLANERT: Commissioner, I think worth noting that in the tariff schedule, the breakout between high carbon and low carbon is at 0.6, almost the same level. And we have run across some other industry references where there has been reference to high carbon as being 0.64 above, and we can put those in our post-conference brief.

VICE-CHAIRMAN WILLIAMSON: Okay. Thank you for that. Okay. Since my time is about to expire, thank you for those answers.

CHAIRMAN OKUN: Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Madam Chairman. Welcome to all of you. You are here at a fortunate time, especially those of you who are form out of town because the cherry blossoms really look wonderful today.

And my recommendation would be that you speak to your Counsel and see whether it wouldn't be
feasible to do a debrief on a walk around the Tidal Basin. I drove by there this morning. They're lovely. And actually, that's a suggestion I would direct to domestic industry too. We can all be united on that point, huh? This is probably primarily for Deacero, but for all representatives, but do you face competition in the United States from U.S. produced galvanized steel wire?

You had commented earlier on the broad steel market, but for the product we're looking at today, do we have an open NAFTA market with product moving both north and south across the border?

MR. D. GUTIERREZ: Daniel with Deacero.

Yes. The border is open to transfer galvanized wire from the U.S. into Mexico.

COMMISSIONER PEARSON: And do you find that U.S. producers are meaningful competitors in Mexico? Or are you primarily competing against other Mexican producers of galvanized steel wire?

MR. D. GUTIERREZ: I'll say that they are primarily in certain nature markets, in Mexico certain sectors. And much more focused into high carbon, galvanized wires, and not low carbon galvanized wires. Probably there is not the interest of the
U.S. producers in selling low carbon into Mexico. I don't know if that's the case or not, but high carbon galvanized wire, it's definitely a product that they use in Mexico and that that U.S. producers bring into Mexico.

COMMISSIONER PEARSON: Okay. Mr. Barrios, are you facing competition from U.S. producers or don't the U.S. procedures make wire that's high enough in carbon to be competing directly with your product?

MR. BARRIOS: We have seen in some wire ropes in the mining industry, this is mainly bribed rather than galvanized, but very little and very specialized. And again, we're talking about a very sophisticated wire ropes.

COMMISSIONER PEARSON: Okay. Thank you. For Deacero. You have the new facility in Houston. You have existing production in Monterrey and other locations and obviously you are running trucks across the border fairly often.

How long does it take to move a cargo from Monterrey, for instance, to Houston? And in terms of customer service from the Houston facility, will you, in essence, be shortening the tie between production and customer by that amount.

MR. E. GUTIERREZ: Eugenio Gutierrez from Heritage Reporting Corporation

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Deacero. We can freight from our different locations in one day to the Houston facility. And when we say just-in-time basks from the distribution network and the warehouses that we have in the U.S., we can supply our customers in a margin of couple of days to their places.

COMMISSIONER PEARSON: Okay. So your ongoing business operation is designed so that you can service any customer in 48 hours more or less from one of your distribution facilities?

MR. E. GUTIERREZ: Correct.

COMMISSIONER PEARSON: Okay. How long does it take to get a truck across the border now? Does that quite smoothly?

MR. E. GUTIERREZ: I can just comment on my opinion because I've gone through it, and it depends on border control of course on that part, but it typically takes less than one day.

COMMISSIONER PEARSON: Okay. Has there been any change since the implementation of the renewed pilot program to allow Mexican trucks and U.S. trucks access to the highways in each other's countries?

MR. E. GUTIERREZ: Definitely there's more enforcement. If you want additional information, we can get that.
COMMISSIONER PEARSON: It's a little bit aside from the subject of today's hearing. I was just curios and I was quite sure you would know something about it. Mr. Kocerka, is your firm a distributor or do you also process the wire that you buy to get it into a form that's more readily usable by your customers?

MR. KOCERKA: At this time, just distribute. But in the near future, we'll be doing some processing. I also sell some of the products that are processed by one of our customers on the other side. So the H&J products is, we deal with a variety of things, purchasing wire and reselling it and then also selling some finished goods that are and one of those items happens to be bale ties from the galvanized wire.

COMMISSIONER PEARSON: Okay. Is that set up as a tolling arraignment of some sort?

MR. KOCERKA: In some cases, yes.

COMMISSIONER PEARSON: This is for Counsel. There may be material presented in the post-hearing that would try to clarify more the issue of earnings on internal transfers versus earnings on merchant market sales.

And it's possible that someone would take...
the initiative to look through previous commission
investigations to see if there's been any fact pattern
like this that we've dealt with before.

If you had an opportunity to do that, I
would welcome it because you're interpretation of
whatever might be on that historic typically might be
different than the domestic industry. So I just would
courage you to think about that as you prepare your
post-hearing submission.

MR. CAMPBELL: We will do so. Thanks,
Commissioner Pearson.

COMMISSIONER PEARSON: And I know you've
already indicated that you see a lack of causation
here. You may want to elaborate on that in the light
of this issue of negative earnings on the internal
consumption.

MR. CAMPBELL: We'll do that as well. Thank
you.

COMMISSIONER PEARSON: For those of you who
have actual knowledge of how the steel business works,
do any of you have, could you comment on the decision-
making process by which a firm would make the choice
whether to internally consume some galvanized steel
wire rod to make a downstream product versus the
decision to put that product onto the commercial
market. What goes into that decision?

MR. E. GUTIERREZ: Thank you. Eugenio Gutierrez from Deacero. There are different reasons why you will do that. First of all is to diversify yourself in your products, to be more flexible, to try to give the whole range of products to your customer, and also it might have to do with adding value to your products as you go downstream. Did I answer your question?

COMMISSIONER PEARSON: At least in part.

MR. CAMERON: What part is it that you're not, that you're still seeking?

COMMISSIONER PEARSON: Well, a closer understanding perhaps of how economics and the financial considerations are driving those decisions because it will be complicated because obviously you want to provide customer service, you want to keep your internal downstream operations going.

MR. CAMERON: Well, the only thing I can tell you is that as far back as 1992 and the flat roll steel cases, the domestic industry was testifying. This is where captive production first came up. And they were basically testifying to the fact that look, you are always going to push the product upstream or downstream, however you want to
In other words, for hot rolled steel, you're not going to sell hot rolled steel on the merchant market in preference to further processing it into cold rolled or into corrosion resistant. And it's the same theory here. You're getting the value-added, and the value-added is just that, and you should be getting higher profit on it unless the downstream market is totally tanked I suspect. Do you have anything to add?

MR. BARRIOS: This is Joaquin Barrios with WireCo. I think that that varies from company to company from management philosophy to management philosophy. Obviously, there are some economics involved. But in some cases, you are not looking just for price. You are looking for quality. In some cases, you are looking for service. In other cases, you are looking for reliability. So I think that that's a very broad question and I think that every single company may have its own answer.

COMMISSIONER PEARSON: Okay. Well, thank you for that. You're correct. It was a broad question. Mr. Gutierrez.

MR. E. GUTIERREZ: Just to wrap it up, I
1 think there's an economical rationale of going into
2 higher value-added products after galvanized steel
3 wire, and that is consistent with the testimony that
4 Daniel Gutierrez mentioned an hour ago.
5           COMMISSIONER PEARSON: Thank you. If there
6 is anything more that you'd like to put on the post-
7 hearing, that would be fine. As you can tell, I'm
8 still trying to get my arms around these issues. My
9 time has expired, Madam Chairman.
10           CHAIRMAN OKUN: Commissioner Aranoff?
11           COMMISSIONER ARANOFF: Thank you, Madam
12 Chairman. Welcome to all the witnesses. Mr. Kocerka,
13 you had testified that about 20 percent of what you
14 buy, give or take, is not coming from Deacero and it's
15 coming from offshore suppliers.
16           For that, I just wanted to clarify. I think
17 what you were saying was nobody inventories that
18 product in the U.S. for you so you have to bear those
19 costs.
20           MR. KOCERKA: The other wire that I
21 purchased from offshore, correct. They do not
22 inventory any in the United States, and it makes it
23 very difficult to buy because of the long delivery
24 times, the price fluctuations from the time you place
25 and order to you receive it and the constraints of
storage at the plants when four or five containers would arrive on one day. They just have restrictions on where they could store material.

COMMISSIONER ARANOFF: So the way that you mitigate those risks is simply by keeping that percentage fairly low.

MR. KOCERKA: Very low.

COMMISSIONER ARANOFF: Is there anything else that you do to mitigate those risks?

MR. KOCERKA: The relationship developed with Deacero, with their distribution centers and the relationship with being able to communicate needs, not only on a short term, but a longer term basis, helped develop the business so you have an in-time inventory, and you also have a steady flow of material in your pipeline.

COMMISSIONER ARANOFF: Okay. Well, one other question of you and this is for post-hearing. In your direct testimony earlier this afternoon, you went through each of the, or most of the domestic producers one by one and told us why you either couldn't or didn't want to source product from them.

MR. KOCERKA: Right.

COMMISSIONER ARANOFF: If you could just go through that for us again in writing and provide a
little bit more detail just to make that clear, that
would be really helpful.

MR. KOCERKA: Okay.

COMMISSIONER ARANOFF: Thanks. A legal
question. In the public portion of Deacero's brief,
you indicate that some subject imports from Mexico are
largely or partially being supplied to U.S.
affiliates, and you talked about that in your
testimony too. My question is, from a legal matter,
does that really matter since aren't those sales that
otherwise could have gone to the domestic industry.
I can see why it might matter in the threat
category when we're talking about the likelihood for
increased imports, but I'm not sure why it matters
from a present injury standpoint.

MS. ZISSIS: This is Kristina Zissis. We
did address it primarily in the threat context because
we think that it does show Deacero's commitment to
the, its U.S. operations and that this has been a
natural progression.

We do think that over the period, Deacero
logically sold these imports to its affiliates and
that this accounts for the volume increase. Now
whether other domestic producers would have supplied
these affiliates, we don't know that given the
information that they're not always willing to supply
some customers.

But we can explain the volume trends during
the period, in part due to the sales to both Deacero
U.S.A. for the wire rope facilities and to Stay Tough.
And certainly for purposes of threat, it shows the
commitment to these facilities and the reason, the
rationale for acquiring a U.S. facility to serve them.

COMMISSIONER ARANOFF: Okay. Thanks for
that answer. There's been testimony that some
purchasers seek out subject imports to offset the risk
of disruptions in supply or to, well, basically for
that.

And you do refer to statements of certain
purchases in support of that assertion. But this
morning, the Petitioners referred to Table 2-9 of the
staff report where almost all of the purchasers rated
the domestic product as either superior or comparable
to subject imports from China and Mexico in terms of
both availability and reliability of supply.

The argument Petitioners were making this
morning, was that is a sort of broader response, and
it tends to suggest that availability and reliability
are not a problem for domestic producers that needs to
be rectified.
How should the Commission weigh that general question which most or all purchasers answered against a few anecdotal instances that have been cited to us or sort of theoretical concerns that have been cited to us about availability from the domestic industry?

MR. E. GUTIERREZ: Eugenio Gutierrez from Deacero. So first, we do believe that our prices are comparable with the industry, and we are confident that we deliver through our distribution network, the availability of the products and the full range of products, that we provide customer service and technical support to our customers and that we produce consistent and quality products which we believe are not only commodity, but are superior to that. Thanks.

MR. CAMPBELL: This is Jay Campbell. Also, to answer your question, yes, we will take another look. We think there specific examples and there are a significant number of them. And we will do a better job of trying to compile all the examples.

But we think there is evidence demonstrating the need for subject imports, imports in general, imports where subject imports in particular and imports in general have always been present in the U.S. market.

In fact, subject imports were present in the
U.S. in higher volumes even before the period of investigation. So there is a need, and one reason for that, one of the needs is just this desire to diversify supplies so that a U.S. purchaser isn't totally reliant on U.S. suppliers because disruptions can occur.

So again, we're going to go back and look at the purchaser questionnaires again and find more evidence because I think the specific anecdotes are more informative in general than just checking the box and saying yes, that the U.S. suppliers are good in terms of reliability and availability.

Of course they are, but nevertheless it's not rational to or it's prudent to not rely on just a U.S. source.

COMMISSIONER ARANOFF: Okay. Well, I appreciate the point you're making, and I don't dispute that anecdotal evidence can sometimes be quite weighty, but there is evidence on both sides of this issue that we are going to have to weigh.

And even if we can establish from purchaser questionnaires or other sources that users of this product are concerned about diversifying their sources of supply, this is not a situation where there are only one or two domestic producers out there.
This is an industry where there are quite a few decently sized domestic producers. And so I think we're interested not just in do you need to diversify supply, but why do you need to diversify supply away from the entire domestic industry?

MR. KOCERKA: Ms. Aranoff, I think diversifying to one of the other producers is one part of availability. The other is the problem that I encountered, which is the availability of specific sizes.

So that the lighter size of wire even though they're availability on 13-10 gauge would have been great, 14-15 was virtually zero. I could not get anyone to sell me a load.

So the availability question may not necessarily be just that wire is available with quick delivery times, but specific items within the range that you would require.

COMMISSIONER ARANOFF: That's a good point too. And this is one of these issues that we sometimes get into in these cases where the domestic industry will tell you they can make any size, that their equipment can make any size.

They may not be making it now, but they could if the price were right. But that's another
issue where we're going to have to weigh the evidence on both sides. Is it an availability issue or is it a price issue?

MR. D. GUTIERREZ: This is Daniel Gutierrez. Just to wrap up what John stated, one of the testimonies this morning, Davis Wire that they were bringing, importing. They used to bring wire from China for their downstream product of hex netting or stucco netting.

So there is an interest of the U.S. producers just to produce quantities much comfortable and peaceable for their companies, and not the whole range of diameter and coiling wires.

COMMISSIONER ARANOFF: I appreciate all those answers. Thank you, Madam Chairman.

CHAIRMAN OKUN: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Madam Chairman. After reflecting upon the dialogue that I had with Mr. Cameron concerning the issue of internal consumption and whether or not the pricing with respect to the downstream product has any bearing on whether the domestic industry is insulated from injury with respect to its internal consumption.

I would invite all parties in the post-hearing to take a look again at the facts of this case.
and the facts that have been alleged today and tell me or tell us whether or not the domestic industry's internal consumption is vulnerable, to some extent, to competition from subject imports.

I recognize the point that Mr. Campbell was making earlier that there is some precedent on this issue, and also that he's making a more general argument. But I would again invite additional comments on this issue for the post-hearing. Thank you.

Now, I think we've touched upon this next one a little bit, but and I think in particular Mr. Cameron had talked about this to some extent, but there is the question of whether or not the price comparison data we have on the record in this case are representative of the overall pricing behavior that has occurred in the marketplace.

And I recognize that there is a need to get at the high carbon issue. I understand that, but I'm just wondering to what do you attribute the fact, if it is a fact, that the pricing comparison data that we have are not representative of the overall situation in the marketplace.

MR. CAMPBELL: This is Jay Campbell. First of all, we would agree that the price comparison data
are not representative at the preliminary stage. The Commission actually described the price comparison data as rather limited. And even the Petitioners noted in their post-conference brief that the price comparison data on the record at the preliminary phase do not rise to a substantial share of total quantities imported. And we would submit that at this stage, the products chosen and the quantities which they were sold still do not rise to a substantial share of the total quantities sold in the U.S. market. And for that reason the data is somewhat limited. As to the reasons why that is, honestly we're going to have to put a little more thought into that. There seems to be a bit of disconnect as which products are sold in the highest volumes and would be most representative, and I think we have to give a little more thought why there was that disconnect.

COMMISSIONER PINKERT: I'd appreciate that.

Mr. Cameron?

MR. CAMERON: Well, do you want, actually with respect to high carbon, we believe that the pricing data reveals quite a bit. Just getting back to Commissioner Williamson's question about the 1044-1064.
Okay. There are three pricing categories for, there are two pricing categories that are 1044 and above, and then Product 7 is 1064 and above. We don't have any domestic pricing data on two of those categories.

And on the Product 7, we believe that it does reveal what's going on here. So this is not the focus of domestic, at least, merchant market production. Our Mr. Barrios can testify on this, but we don't see them, we're not competing with them in the limited extent to which we are even competing in this market.

Camesa and WireCo are not seeing the domestic producers. We are not competing with them for product. And so, we do think that the pricing comparisons actually reveal quite a bit.

MR. BARRIOS: I think, this is Joaquin Barrios with WireCo, I could go exactly to the main content of my presentation. I think that we were talking about two different products, starting actually, again, this will depend from company to company.

But it's starting with scrap. There are certain producers that need certain scrap to produce good quality, high carbon content. Then you need to
have in the still making process, you need to have
some technical things that I do not pretend to get
into detail like electromagnetic steering that you
need to have in order to get good quality wire, good
quality steel.

And then you need to have a good process in
all the steel process making process, and then on the
wired drawing process. So we're talking in my opinion
of two different products, high carbon being more
expensive than low carbon in general terms.

MR. CAMERON: Just one other thing, this is
not to say that we're suggesting that there's nobody
producing these products. I mean Johnstown Wire to
give an example.

Johnstown Wire, WireCo deals with Johnstown
Wire. They are the only manufacturer of Class C wire
that we have, and when we have a customer that needs
that, we purchase from Johnstown Wire.

So we know that they are capable of
producing and do produce the high carbon galvanized
steel wire. But, for instance, the testimony this
morning about the vineyard wire that Davis produces.

Well, we don't compete in that market.

We're not in California. We're not competing with
Davis Wire. So again, what we're suggesting is, yes,
when you heard the testimony this morning, they repeatedly talked about this is a commodity product. This is all commodity. Everything is a commodity. Well, that's great, but then we get into the price comparison data, we get into the products that you're using high carbon galvanized wire for, and it's a lot less commoditized, and what are you seeing? Well, one of the things that you're seeing is that the volumes are much smaller. Why are the volumes much smaller? Because it's not a commodity product. Again, these facts are mutually reinforcing.

So I understand that we're talking about bright lines versus a continuum. We all talk about. We all talk about that in every case that involves a like product, but as has been observed by Commissioner Aranoff, it doesn't matter whether I say no, it's a bright line, and they say it's a continuum. It's not going to depend upon that. We understand it's going to be a factual determination. But, again, when we are analyzing the data, this segment of the market does not appear to be the commodity product that was described, and that really is the point. So, that's the way we look at it, but, yes, we do know these, you know, Johnstown Wire, they do work -- they do business with Johnstown Wire. They are a very good company.
Nobody is saying otherwise. But, again, I don't think that we're competing with customers for them either.

COMMISSIONER PINKERT: Mr. Cameron, your references to the statements about commodity products lead directly to my next question, which has to do with Bratsk, I'm not going to ask anybody to give me an interpretation of Bratsk or Mittal, but what I would ask is whether we have an issue in this case about what would have happened with non-subject imports had subject imports left the U.S. market during the period under examination.

MR. CAMPBELL: This is J. Campbell. The answer is no. We've never pushed the argument that non-subject imports are going to just replace subject imports and cause harm, but, again, our position is that subject imports are not causing harm and are not a threat. So, to us, it's not really relevant.

MR. PLANERT: The only thing I think we would add is that if you are talking about high carbon, and you look at the data there, you'll see that non-subject imports are, actually, a much bigger share of the imports of high carbon than are subject imports, and that may be relevant either in a Bratsk context or otherwise.

COMMISSIONER PINKERT: Thank you. I note
that you didn't offer me an interpretation of the case. So, that's helpful. And, with that, I thank the panel, and I look forward to the post-hearing submissions.

CHAIRMAN OKUN: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Madam Chairman. And I'm actually going to follow up on Commissioner Pinkert's discussion on non-subject imports. And I was wondering what you could tell us about the competitiveness and pricing of formally large non-subject import sources such as Canada. Do you know what is happening with those products?

MR. CAMPBELL: Well, our understanding is that most of what's coming from Canada or a good portion at least is high carbon. So, when you look at average unit values and whatnot, you see somewhat higher prices, but, again, that's just reflecting the product mix.

COMMISSIONER JOHANSON: All right. And I was also wondering do any of the sources offer distribution and warehousing in the United States as Deacero does, other foreign suppliers?

MR. CAMERON: We don't. Camesa does not warehouse in the United States.

MR. BARRIOS: This is Joaquin Barrios with Heritage Reporting Corporation (202) 628-4888
WireCo. Just to be precise, we do not distribute wire, but we do wire rope. Actually, we have different business all around United States. Again, we are concentrated in wire rope, not in wire.

COMMISSIONER JOHANSON: But not galvanized steel wire, correct?

MR. CAMERON: I was referring to the galvanized steel.

COMMISSIONER JOHANSON: Okay.

MR. CAMERON: And, yes.

COMMISSIONER JOHANSON: Yes, Mr. Kocerka, you're not aware of any --

MR. KOCERKA: I'm not aware of any.

COMMISSIONER JOHANSON: -- companies?

MR. D. GUTIERREZ: This is Daniel Gutierrez, we're aware of certain industrial distributors who carry inventory of low carbon and high carbon, specialize galvanize wire in their warehouses.

COMMISSIONER JOHANSON: Do you know what countries that wire is from?

MR. D. GUTIERREZ: Germany.

COMMISSIONER JOHANSON: Okay.

MR. D. GUTIERREZ: Spain, Japan, Israel, Korea.

COMMISSIONER JOHANSON: Okay. Thanks. Any
other responses? Okay. Our pricing data shows that prices for imports from Mexico for several products increased during the period of investigation. Were these increases driven by raw material costs?

MR. E. GUTIERREZ: Daniel Gutierrez from Deacero, yes, they were. They are linked to scrap costs.

COMMISSIONER JOHANSON: Okay. Thanks. And what was the reaction of your customers to your price increases?

MR. D. GUTIERREZ: Daniel Gutierrez with Deacero, we can give further information on the post-hearing, but the first reaction was that they understood that the prices and the market were an escalated prices based on the raw materials, so it's - we will more than glad give more information on the post-hearing.

COMMISSIONER JOHANSON: Okay, thank you. And have you had to announce -- have you had any rollbacks in announced price increases?

MR. E. GUTIERREZ: No, we don't.

COMMISSIONER JOHANSON: Okay. And who do you all view as the price leaders in this market?

This is something which came up this morning.

MR. D. GUTIERREZ: Daniel Gutierrez with
Deacero. I'll say that it's a mix of the U.S. producers.

COMMISSIONER JOHANSON: Okay. Thanks. How much of an issue is competition between purchasers and domestic wire producers -- producers who also produce downstream products? Is there a reluctance to purchase from or to sell to a downstream competitor?

MR. E. GUTIERREZ: Eugenio Gutierrez for Deacero. No, there are no reluctant, and they are open for it.

COMMISSIONER JOHANSON: Okay. Well, that concludes my questions. I'd like to thank you all for appearing here today.

COMMISSIONER OKUN: I think I just have a few to wrap up. I was thinking while we've had many hearings and often have upstream, downstream products, Mr. Gutierrez, You're talking about mid-continent. Mr. Libla, of course, he was here on Tuesday talking about Deacero and so, looking through the record, it's always interesting to see how the different industries operate and who plays in different places. So it helps to give us a well rounded education in our different steel products.

Let me just follow up. I'm just trying to make sure I understand what the argument is of how we
should view the pricing record because I know in your brief, and this would be for Mr. Campbell, you had indicated that the price comparison data alone should be discounted in light of other evidence. You had cited one case in there, and I -- resist piston inserts, which was a very, very limited -- very limited price data in that case. So, I don't know if you, in post hearing, could take a look at other cases that might be more similar, because we, again, I wouldn't disagree that it is limited, but I guess, not only could you see if there are other cases to cite to, but also then, what you would want the Commission to do. And Mr. Cameron, you might have some thoughts on that as well given your experience here just in terms of what we do at this date, and I understand that for, Mr. Campbell, for your client, you've made the distinction in the pricing products, but just generally for pricing where, in particular, price suppression is key argument here. I'm trying to understand what you would ask us to do in providing record evidence to support your position.

MR. CAMPBELL: Just to clarify, this is J. Campbell, just to make sure I understand the question. You want us to clarify in lieu of the pricing comparison data what we think the Commission should be
looking at in its price analysis.

CHAIRMAN OKUN: Yes.

MR. CAMPBELL: Okay, and, again, Mr. Cameron pointed out how, at least, from looking at the high carbon product comparisons, the data is informative. Deacero, most of its sales are in the low carbon, so that's kind of where we're focused. But we will answer your question in post-hearing, but also I would point that irrespective of the pricing comparison data, again, we think they're limited. But let's assume for the sake of argument that the Commission were to conclude that underselling were significant. We would still submit, and there are plenty of cases or examples where there could be, quote, unquote, significant underselling, but nevertheless, if there aren't significant price depressing or suppressing effects, overall, there isn't enough evidence of significant adverse pricing effects. And we would submit that the same is true here.

Also, we would point to, and we talked about this in our prehearing brief a bit, but it's notable that in the staff report, in the Section 2, a majority of purchasers described prices of subject imports, both Mexican and Chinese and U.S. product is comparable. So, that's just an example of kind of a
broader measure of pricing than the more limited pricing data on the record.

CHAIRMAN OKUN: Okay, well, I appreciate and you had anticipated my next question, which was going to be about price suppression. I guess the only thing I would add to that, I know with the panel, with the domestic industry this morning, a question was asked of whether this, in looking at price suppression, whether the facts of this case where we did not see an increase would be consistent with how the Commission has evaluate price suppression or found price suppression in other cases, and, so I'd ask you pay particular attention to that as well.

MR. CAMPBELL: We will do so, thank you.

CHAIRMAN OKUN: Okay. We talked about non-subjects. So, I think that covered the rest of my questions, but thank you very much for all those, and let me turn to Vice Chairman Williamson:

VICE CHAIRMAN WILLIAMSON: Thank you, Madam Chairman. Just a few questions. Deacero, since this -- are you claiming that Deacero's extensive warehousing network in the U.S. is a non-price factor for increased imports and that that would be reason for, you know, a negative determination? And, if so, is there a Commission precedent for that?
MR. CAMPBELL: To answer your question, Commissioner, yes, we think that Deacero's local distribution in the United States is a non-price factor that explains their increasing volumes, particularly after the 2009 recession. And, again, there was testimony this morning from the U.S. producers on this point that since that time, since the recession, U.S. customers are, you know, they're more cautious, they're more conservative. So, they want quicker in time delivery, and Deacero is one of the -- really the only, to our knowledge, import source that can provide that.

We will have to do a little research on whether that -- the ability to -- local distribution has been a non-price factor considered in prior ITC cases, so we have a little homework. But, certainly, there is plenty of precedent for the ITC to find that if non-price factors are prevalent and a significant reason why U.S. purchasers consume or purchase subject imports, that, that is a consideration that would weigh against a finding of significant adverse price effects.

VICE CHAIRMAN WILLIAMSON: Okay, yeah. If there's any precedent, because and why it is not just a vehicle for it as opposed to the actual, you know,
being the reason there's not adverse effect.

MR. CAMPBELL: Okay. Again, we'll give that another look for post-hearing.

Vice Chairman Williamson: Good. Okay.

Thank you. Also from Mr. Campbell, looking at the domestic industry's cogs and the relatively narrow range that they have fluctuated, is the consistency of the high cogs more significant than the fluctuations, especially given the preliminary decision in November 2011 and the effect that that had?

MR. CAMPBELL: We would submit that the -- that the fluctuations are what the Commission should focus on. The trend -- for the U.S. -- the Petitioners are trying to establish a causal link obviously between subject imports and the price suppression, and the problem is there's no affirmative evidence of a causal link, especially when you look at -- when you see the counter trends, and the counter trends require us to look at the fluctuations in the U.S. industry's cogs to net-sales ratios, so again, we think what's more informative and indicative and demonstrates that the subject imports are not a cause of injury or a significant cause of price suppression on U.S. produced produce, the fluctuations and the trends support that.
The fact that the U.S. industry's cogs to net-sales ratio in terms of the changes from year to year, those are not at all correlated with the volumes and prices of subject imports. So, again, we would submit that the fluctuations in the cogs to net-sales ratio are what the Commission should be focusing on in its analysis.

VICE CHAIRMAN WILLIAMSON: Even though the cogs is rather a very high level and does that in itself, you know, explain why there's a price -- the adverse impacts?

MR. CAMPBELL: What it shoes is that U.S. producers have very high costs, but it doesn't explain whether the subject imports are a significant cause of their inability to raise their price sufficiently to cover their costs. And, again, we submit that the lack of correlation in that evidence demonstrates, that, no, there's not affirmative evidence of a significant correlation or link between the subject imports and the U.S. industry's profitability.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you, anything in post-hearing, anything Petitioners want to say on this subject post-hearing, I'd appreciate it. Thank you. Okay. Also for Deacero, you indicated you are selling a galvanizing line in the U.S., and does
this mean that you will be importing ungalvanized wire made at your facilities in Mexico or will you be making the wire itself here?

MR. E. GUTIERREZ: We have the opportunity to source that black wire from our U.S. affiliates who manufacture black wire. Also, from other U.S. producers that are here today, other U.S. producers.

Thank you.

VICE CHAIRMAN WILLIAMSON: Okay, thank you.

And just one last question here, it's sort of -- you have indicated that Deacero does not project future exports to the U.S. once the U.S. production gets started. And I was just wondering how you might respond if somebody raised the question, well, if you don't plan to export, what is Deacero's interest in opposing the imposition of an AD order?

MR. E. GUTIERREZ: Eugenio Gutierrez from Deacero again. If U.S. producers can't supply the U.S. market, we will limit ourselves to small quantity of exports in a responsible manner.

MR. D. GUTIERREZ: I just want to -- Daniel Gutierrez, I just want to reaffirm that we are here, because I mention in my prelim and on my testimony, we are a family-owned company. And we've been in the U.S. market for more than 30 years, and the image that
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1 we have in the market and the image that we have in
2 the responsibility that we have with our U.S.
3 customers has to be firm. And that's why we are here,
4 to finish the process of this case.
5
VICE CHAIRMAN WILLIAMSON: Okay. Thank you,
6 and I have no further questions, and I want to thank
7 all the witnesses for their testimony this afternoon.
8 Thank you.
9
CHAIRMAN OKUN: Commissioner Pearson?
10
COMMISSIONER PEARSON: Thank you, Madam
11 Chairman: I believe I have just three questions and
12 all of them for Deacero. This morning, the domestic
13 industry made a statement to the effect that the
14 pricing of Deacero on galvanized steel wire in the
15 United States consistently seems to be the same
16 everywhere, regardless of distance. Do you have
17 thoughts on that?
18
MR. D. GUTIERREZ: That was the same
19 question that the U.S. Petitioners said in the prelim,
20 and definitely that's not true. I mean, we based our
21 prices on raw materials and our cost on the
22 infrastructure that we have in logistics and the
23 warehousing that we have, and the value added that we
24 placed to the product that we sell in each location.
25
COMMISSIONER PEARSON: Mr. Campbell, perhaps
for purposes of the post-hearing, it might be possible
to document that in some reasonable way, not that
takes hours and hours, but I would guess that Deacero
would have that sort of documentation.

MR. CAMPBELL: We will do so, sure. Thank you.

COMMISSIONER PEARSON: It also was mentioned this morning of -- or claimed this morning that Deacero's seemed to be the same regardless of the diameter of the wire, and I think what they meant to - what they were saying was that it was a pricing based just on weight of steel and zinc and irrespective of the diameter of the wire. Could you comment on that, please?

MR. D. GUTIERREZ: Yes, Daniel Gutierrez from Deacero. We do make a difference in the different coatings of our galvanized steel wire. If you want further information, we can provide that in the post-hearing. Not only on coating, but also on diameter.

COMMISSIONER PEARSON: Okay, please, another topic that should be possible to shed some light on, and, obviously, that information is all confidential and will be treated as such. Then one more point. This also I think may have come up in the pre-hearing
or in the conference months ago, and this was the statement that Deacero had raised its price on all of its galvanized wire by $160.00 a ton in response to the possibility of a trade case rather than in response to conditions in the market -- other conditions in the market. Was there something about that price increase that you could share with us now or else in the post-hearing? Do you know what I'm referring to, because, of course, there could be many price increases. All I know is what I have in front of me.

MR. D. GUTIERREZ: No, we are more than welcome to address this in the post-hearing as well, but I just want to add a comment that we were under pressure due to the cost that the raw materials were facing, not only Deacero, but also the U.S. -- the U.S. -- the domestic producers were under pressure to raise prices. So, that was part of why we were raising the prices. And, coincidentally, a month later, the trade has started to happen.

COMMISSIONER PEARSON: The case was beginning to be talked about or was filed a month later?

MR. D. GUTIERREZ: At least we weren't aware of.
COMMISSIONER PEARSON: Okay. If you provide more detail in the post-hearing, perhaps there's also information about what other companies might have been doing with their prices in this same time frame, because I don't think there was any assertion even by the domestic industry that Deacero was acting entirely alone, and it might help us understand the conditions that prevailed at that time if you have any information regarding other firms' pricing.

MR. CAMPBELL: Okay, we'll see what we can find.

COMMISSIONER PEARSON: Okay. Well, thank you very much. I think that concludes my questions. I very much appreciate you being here and have enjoyed this afternoon's session.

CHAIRMAN OKUN: Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Madam Chairman. Just a couple of quick questions, I just want to clarify for the record, Deacero has argued that the Commission should give little weight to the price comparison data, and the reason that you asserted for that was that the coverage isn't that good for the price comparisons. And I just wanted to check with that aside from the limited coverage, I don't think you've pointed to any flaws in any
particular price comparison data that would make them unreliable. Is that correct?

MR. CAMPBELL: Yes, that's correct. It's just based on the limited quantities and representativeness in that way.

COMMISSIONER ARANOFF: Thank you. Earlier this morning, when we asked Petitioners why they thought Mexican imports went up and Chinese imports went down during the period, they said, 'Well, there's been a price war between Mexican and Chinese imports, and the Mexicans one and drove the Chinese product out of the market.' And I wanted to give you an opportunity to respond to that, either now or post-hearing.

MR. CAMPBELL: I believe the Petitioner's price war arguments are based on looking at the average unit values for Mexican and Chinese imports of galvanized steel wire. And what they claim is a price war, really just correlates perfectly with the trends and scrap steel and wire rod prices, the raw materials. So, we will provide more information to show this post-hearing, but if you were take a graph and look at wire rod costs, it would follow that same price per average unit value trend that you saw for subject imports. So, that's what's really driving the
prices, raw materials costs. It's not a price war.

COMMISSIONER ARANOVI: Okay. So, the question also comes up what happened to that volume of Chinese product that isn't coming to the U.S. market anymore, and whether there is anything on the record or that could be on the record to suggest to us whether there are other more attractive markets that might be drawing that product in. And, in particular, is there anything that we could have on the record that would tell us what prices are like in Third Country markets, relative to U.S. prices for this product?

MR. CAMPBELL: To the first point, explaining why Chinese subject import volumes declined, again, we think the main reason is that after the recession, U.S. purchasers were more reluctant to purchase from offshore sources that couldn't provide timely deliveries. So, Deacero was a good fit. It was the only real import alternative that could provide quicker delivery due to their U.S. distribution. We'll have to do a little research and learn the other reasons. It doesn't help the Chinese respondents, didn't appear to help us out on this point. But we'll do a little more work on that.

The second question, as far as export
pricing to Third Countries, we'll have to do some research on that as well. We don't have those figures with us.

COMMISSIONER ARANOFF: Just one followup, which is, in your statement that Mexican producers are sort of the only ones who were left who could provide a comparable delivery to a domestic source after the recession, I would point out that the largest source of non-subject imports is Canada. And those have been declining.

MR. CAMPBELL: Right. Again, we touched on this in the preliminary phase, but one of the reasons why there was a decline from Canada, is that one of the producers, Tree Island, which also supplied both low and high carbon, experienced financial problems, and that affected them. And there were customers, former customers, of Tree Island that turned to Deacero for product, and we can provide more information on those post-hearing.

COMMISSIONER ARANOFF: Okay. Thank you very much for those answers. With that, I don't have any further questions, but I do want to thank this afternoon's panel for all of the information that you've provided.

CHAIRMAN OKUN: Let me check to see if there
was another question. Vice Chairman Williamson?

VICE CHAIRMAN WILLIAMSON: Just one, just a question. I think I may have missed it, but let's see, Deacero having a black wire facility in the United States, and I was wondering either now or post-hearing if you could put some more information about that facility, you know, size and things like that. thank you.

MR. E. GUTIERREZ: We will do so. We will provide that information in the post-hearing brief. We have a facility that has black wire that manufactures black wire.

VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

CHAIRMAN OKUN: I don't see other question from Commissioners. Let me turn to Staff to see if they have questions of this panel.

MR. FETZER: Jim Fetzer, Office of Economics. Mr. Ortega, earlier you testified I believe that there's a time lag in raw material costs being incorporated into price. And I was just wondering how long that lag was typically.

MR. D. GUTIERREZ: Yes, Daniel Gutierrez, the time lag that we see is between three and six months.

MR. FETZER: Three to six months. And would
1 it be the same, is there a similar time lag for
declines in raw material costs?
3 MR. D. GUTIERREZ: Yes.
4 MR. FETZER: Thank you. And I also invite
5 Petitioners to address whether there's a time lag in
6 their pricing for raw material costs in their post-
7 hearing brief. Staff has no further questions.
8 MS. HAINES: Not yet. Elizabeth Haines,
9 Office of Investigation. We will have a few
10 additional questions, but we will email them to
11 counsel for your post-hearing brief. Thanks.
12 CHAIRMAN OKUN: Thank you for those. We
13 turn to those in support of imposition of duties to
14 see if you have questions of this panel. Mr. Waite
15 indicates they have no questions for this panel.
16 Well, before I turn to the time remaining and we go to
17 closing statements and rebuttal. I wanted to take this
18 opportunity again to thank this panel of witnesses
19 very much for your testimony this afternoon and for
20 answering our questions and your continued
21 cooperation. It really is the end of a long week.
22 I'll let you guys talk from now on. So, thank you
23 very much.
24 We'll give everyone a couple minutes to let
25 these witnesses go back and then I will -- let me just
go over the time remaining. Petitioners have a total of 11 minutes, 6 minutes remaining from direct, 5 for closing. Respondents have a total of 16 minutes, 11 from the direct presentation, 5 for closing. If counsel has no objection, we would just combine closing and rebuttal and proceed in that fashion. Okay. Well, then let's take two minutes to shift around.

Mr. Secretary?

SECRETARY: Will the room please come to order?

CHAIRMAN OKUN: You may proceed.

MR. WAITE: Thank you, Madam Chairman, Members of the Commission and thank you for your patience and your attention throughout this hearing and particularly the attention and the courtesies you extended to the panel of domestic industry witnesses this morning.

I have a number of comments I'd like to make, and they will not be in any particular order. We will address our comments to you in a much more orderly and organized way, of course, in our post-hearing submission. But there are a number of points I'd like to make while they are still fresh in everyone's mind and also some points of clarification.
And I will try to do all of this in considerably less than 11 minutes.

We have discussion of the causal link between subject imports and material injury to the U.S. industry. I just wanted to make the point that while trends in various financial and trade data criteria can often be informative, we do have a case where the base period of this investigation is the year of the deepest economic disturbance in the current history of the United States, at least since the Great Depression, so many of the trends with which we are all normally familiar in these cases, may not be as apparent.

I would also point out that the statute talks about the presence of price effects, the presence of volume effects on the U.S. industry, on the market, not necessarily trends. So, I think there's a way for the Commission to examine this very unusual record, just like records of the other four cases you may have seen in the last two weeks may have similar characteristics.

I would make the point that the U.S. industry could not pass on price increases that one might normally see when raw material costs are increasing, and the market overall is improving in
terms of demand, because of the presence of unfairly priced imports. And these imports were deeply unfairly priced. The Commerce Department, as I mentioned in my opening statement found dumping margins between 21 and 37 percent on Mexico, and combined dumping and countervailing duty margins that are simply astronomical for China, 213 percent to 458 percent.

The witnesses for Deacero, I thought were extremely forthcoming in describing to you the reasons for their company's decision to place a galvanized production line in Texas. There wasn't much discussion on the record, I suppose, because it is considered proprietary about the nature or size of that production line. Market intelligence informs the members of the U.S. industry that just one galvanizing line is being assembled in Texas, and from their experience, that is not nearly enough capacity to offset the amount of imports that have been coming in from Mexico over the recent years and certainly the period of investigation.

You also heard testimony about the alleged unwillingness of U.S. producers to sell to U.S. purchasers. And there was some comment that this kind of anecdotal information may be of limited utility. I
would submit that it's of particularly limited utility when it comes from a company that sources 100 percent from imports, and a company that I don't believe submitted a questionnaire response, so it's very difficult for us to put their comments into any kind of meaningful context.

There was also testimony at the staff conference with regard to shipments of galvanized wire to a company that is now affiliated with Deacero. It's Stay-Tuff, the fencing manufacturer in Texas, and I would simply point out that Stay-Tuff had been supplied by U.S. production until Deacero displaced it when it purchased the company.

There was a number of comments about the importance of multiple sourcing or diversity of sourcing, and I would merely echo what a number of you have said, and that is, that may be an issue when you have only one or two or even three domestic suppliers. Here, you have at least eight domestic suppliers of galvanized steel wire, and many of them are very significant producers with very large capacities. I also would like briefly to clarify the record, and I don't think this was intentional when one of the respondent's witnesses stated that Mr. Weinand from Oklahoma spoke about his imports from China. That was
actually Mr. Cronin. Mr. Weinand testified that he had just one import experience in 2010. And that was to meet special circumstances for his company. He explained that in detail. I need not go into that. Mr. Cronin did address his reasons for importing from China, and you may recall he talked about a make or buy decision. It's not a question of availability. It's not a question that he couldn't have made the product here or even have sourced it. The question was the pricing of the product and his need to be able to offer that product as a range of products that he sells to his customers at a competitive price in order to maintain his market position.

Now, I would like to turn even more briefly to the separate-like product issue, which, quite frankly, I see as more of a scope exclusion request issue. It seems to me, and I believe the testimony today confirmed that the concern of Camesa/WireCo is for galvanized steel wire that is used in wire rope applications. You know, there was wire rope galvanized wire. And the cut off of .64 percent as we discussed earlier in the morning, is not an industry recognized cutoff. In fact, there's really no industry recognized cutoff. Different companies see different mixes and different chemistries as falling
1 into just generally low carbon, medium carbon and high carbon products.

I would also clarify that Mr. Weinand did state in response to a question that his company does produce .65 percent carbon content galvanized steel wire, which is above the threshold that Camesa offers. And that he uses the same equipment and the same production processes to make that product as to make his low carbon galvanized steel wire.

Finally, also with regard to the high carbon, low carbon issue, Vice Chairman Williamson asked whether the Commission had had any experience or addressed this issue in any other context, and, indeed, you have, and interestingly enough, on a product that marries almost perfectly with galvanized steel wire and that is carbon and other alloy steel wire rod. The basic raw material from which galvanized steel wire is made. And starting in the late '90s, and I think as recently as 2006, we'll provide this in our post-hearing submission, the Commission has determined that wire rod, again, which is used to make carbon steel wire, and when you make the carbon steel wire, you can't change the chemistry. It's what comes from the carbon steel wire rod, that, that's a product that's on a continuum, as we
discussed the carbon steel -- as we discussed
galvanized steel wire, and the Commission declined to
make any differentiation between high carbon, low
carbon -- high carbon, medium carbon or low carbon.
It was considered one entire-like product. I thank
you very much. And that concludes my comments.

CHAIRMAN OKUN: Thank you. All right, you
may proceed.

MR. CAMPBELL: Good afternoon again,
Commissioners. Thank you again for your time today.
I wanted to discuss the main point in this case or
start with that, causation, the main issue in this
case. Again, the Petitioners, all they really point
to is a temporal nexus. Subject imports were present
in the market and that must be the reason why we're
unprofitable. But, as the commission knows, it's not
enough. You can't just show a temporal nexus. You
have to show causation.

In this case, not only have the Petitioners
failed to put forth affirmative evidence showing a
link between subject imports and the U.S. industry's
performance. We have the opposite in this case. We
have affirmative evidence of counter trends, of a lack
of correlation between the subject imports performance
and the subject imports. And this information --
these counter trends require a negative injury determination.

I haven't heard any real response to the arguments we put forth in our pre-hearing brief demonstrating the counter trends that are observable with respect to price suppression and with respect to the industry's profitable during the POI. The most I've heard came from Mr. Waite just now in closing, pointing to the fact, conceding that, yes, you know, counter trends provide strong evidence in many cases.

But this case is different. This case begins with the year 2009 as the base here, a deep recession.

Well, that is true, but, okay, let's not limit ourself to beginning with 2009.

We do have information on the record that begins with 2008, and I submit that if you look at any trend from year to year, 2008, 2009, 2009, 2010, 2011; you will see clear counter trends between the U.S. industry's profitability and the volumes and prices of subject imports. And this information demonstrates a lack of a causal nexus and requires a negative injury determination.

Next, I'd like to discuss captive consumption. This is a very significant condition of competition in this case. A large portion of the U.S.
industry's production is internally consumed or transferred to related parties. And there is Commission precedent, and, again, we will cite these cases and discuss these cases again in post-hearing, but there is Commission and precedent where in cases with facts such as this where a large portion of the domestic industry's production of the domestic-like product is consumed internally for downstream production that the Commission should also looks to the U.S. industry's performance in the commercial market, which is where head-to-head competition occurs.

And it's notable in this case that all of Petitioner's arguments today, in terms of price effects, and in terms of impact, they're focused on the total market. They don't want to go to the commercial market. I haven't heard any arguments about the commercial market. Why is that? It's because the U.S. industry is profitable in the commercial market, and that's where head-to-head competition occurs with subject imports. Again, that provides further evidence of a lack of causation between the subject imports and the U.S. industry's performance.

I'd also like to discuss, so at the end of
the day, the fact that the U.S. industry consumes a large portion of its production of domestic-like product, we submit is a factor that insulates or limits competition between subject imports and the domestic industry's performance. And then again, even within the commercial market where there is head-to-head competition, we've sited examples in our pre-hearing brief, and discussed a little bit more today factors that demonstrate other reasons why -- non-price reasons why U.S. purchasers purchase or require subject imports, including the need to diversify supply, the instances when U.S. producers are unable or unwilling to satisfy quantity or the quantities of product required or the specifications and the act in this market, oftentimes a U.S. purchaser of galvanized wire, would actually be competing with its U.S. supplier in the downstream market and for that reason is reluctant to purchase from a U.S. supplier.

So, we've discussed all those reasons, but we learned a new one today from the Petitioners', and they testified today that, well, the reason we're more profitable in the commercial market, is because in that market, the U.S. producers are also producing these higher value added niche products that subject imports aren't competitive in. Well, not only does
that give us another explanation for the limited
competition and the lack of correlation you observed
between subject imports and the domestic industry's
performance, but it completely contradicts what
they've been saying all along about how all imports --
imports from any source and the domestic-like product
are interchangeable, interchangeable. Well,
apparently not, because the U.S. Petitioners today can
see that they're actually making these higher value
niche products where we don't see any subject imports.

All right. Let me go quickly through --
I've already addressed volume. I'm not going to touch
that again. On price, I would like to add a couple
points. The Petitioners' did not argue price
depression in their pre-hearing brief, but Dr. Magrath
argued it today. Again, we submit there's no evidence
of price suppression or excuse me, price depression
and suppression, but I'm talking about depression.
There is no evidence of price depression in this case.
It gives a very distorted picture to start from the
first quarter of 2009 and to start from there and look
at the trend in the U.S. producers' prices.

The fact is that from the first quarter of
2009, prices were still declining from the peaks from
2008 when demand was so strong. If you start from the
second quarter of 2009, there's a clear upward trend in U.S. producers' prices over the POI and that demonstrates that there were not significant price depression effects.

I think on price suppression, I think I've talked about this enough, but, again, whatever period you look at 2008 to 2009, 2009 to 2010, 2010 to 2011. There is a lack of correlation between the subject imports, volumes and market shares and the U.S. industry's performance. Again, we submit there is no evidence that subject imports were a significant cause of price suppression.

I'm going to end with threat. And I will be quick. Again, we submit there are very strong grounds to decumulate, in this case. The main one is that there is now a clear -- the U.S. industry -- I'm sorry, the Chinese industry and the Mexican industry, which is represented, for the most part by Deacero, have different incentives in terms of shipping to the -- exporting to the U.S. market.

With Deacero's investment in production in Houston, clearly, that affects their decision making and they've testified today that they will be reducing their exports to the United States in significant fashion. The Chinese industry doesn't have this same
incentive.

There is also the fact that the Chinese industry compared to Mexican industry is huge with tons of capacity and they export a ton, and Dr. Magrath's slides demonstrate or one of his slides demonstrates this very powerfully. With the lower volume, there is, of course, given -- once you decumulate, given that there is going to be a dramatically lower volume of imports from Mexico, it's clear that the Mexican imports do not pose a significant threat.

On my last point on this is that Mr. Waite discussed today the fact that part of the decision making for Deacero, their calculation for investing and setting up production in Houston was because of the possibility of potential anti-dumping liability. We've been candid about that, but the fact remains that this Houston production is here and it's here to stay. So, regardless of the reason or one of the reasons, because certainly the anti-dumping -- potential anti-dumping liability was not the only reason.

Regardless of the reason for why Deacero now has production of galvanized wire in Houston, the fact remains it does, it's here to stay, they're going to
be using it to service their U.S. affiliates and U.S. customers, and it eliminates any threat of injury from subject imports from Mexico. Thank you.

MR. CAMERON: Very quickly, on behalf of Wireco. Don Cameron, we will respond to counsel's rebuttal in our post-hearing brief. We just wanted to make one point, with respect to the fact that it is clear from today's testimony that we were, actually, asking for a scope exclusion. Actually, we're asking for a like product. The like product that we are suggesting is 0.64 carbon content and above as a separate like product, high carbon galvanized steel wire.

And I thought that was pretty clear from our testimony, but in case it wasn't, we wanted to make that clear to the Commission and we will respond to the rest in our post-hearing brief. We'd like to thank you for our patience. Sounds like you've had a long week. Sorry about that, but we're all in this together, right? So, thanks.

CHAIRMAN OKUN: Thank you very much. Post-hearing briefs, statements responsive to question, requests to the Commission and correction to the transcript must be filed by March 29, 2012. Closing of the record and final release of data to parties is
April 16, 2012. And final comments are due April 18, 2012. With no other business to come before the Commission, this hearing is adjourned. (Whereupon, at 4:30 p.m., the hearing in the above-entitled matter was concluded.)
CERTIFICATION OF TRANSCRIPTION

TITLE: Galvanized Steel Wire From China and Mexico

INVESTIGATION NO.: 701-TA-479, 731-TA-1183, 1184

HEARING DATE: March 22, 2012

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: March 22, 2012

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