

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
CARBON AND CERTAIN ALLOY STEEL WIRE) 701-TA-573-574 and
ROD FROM BELARUS, ITALY, KOREA, RUSSIA,) 731-TA-1349-1358
SOUTH AFRICA, SPAIN, TURKEY, UKRAINE,) (FINAL)
THE UNITED ARAB EMIRATES, AND THE)
UNITED KINGDOM)

Pages: 1 – 259
Place: Washington, D.C.
Date: Thursday, November 16, 2017



Ace-Federal Reporters, Inc.

Stenotype Reporters

1625 I Street, NW

Suite 790

Washington, D.C. 20006

202-347-3700

Nationwide Coverage

www.acefederal.com

Ace-Federal Reporters, Inc.

202-347-3700

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CARBON AND CERTAIN ALLOY STEEL) 701-TA-573-574 AND
WIRE ROD FROM BELARUS, ITALY,) 731-TA-1349-1358
KOREA, RUSSIA, SOUTH AFRICA,) (FINAL)
SPAIN, TURKEY, UKRAINE, THE)
UNITED ARAB EMIRATES, AND THE)
UNITED KINGDOM)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, November 16, 2017

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Sharon Bellamy, Records Management Specialist

16 Yasmyne Hilliard, Student Intern

17

18 Joanna Lo, Investigator

19 Jennifer Powell, Investigator

20 Gregory LaRocca, International Trade Analyst

21 Emily Burke, International Economist

22 Jane Dempsey, Attorney/Advisor

23 Douglas Corkran, Supervisory Investigator

24

25

1 APPEARANCES:

2 CONGRESSIONAL APPEARANCE:

3 The Honorable Peter J. Visclosky, U.S. Representative, 1st
4 District, Indiana

5

6 EMBASSY APPEARANCE:

7 The Embassy of Ukraine to the United States of America
8 Washington, DC

9 Vitalii Tarasiuk, Head of Economic and Trade Office

10 Oleksii Chernyshev, Second Secretary

11

12 OPENING REMARKS:

13

14 Petitioners (Alan H. Price, Wiley Rein LLP)

15 Respondents (Richard O. Cunningham, Steptoe & Johnson LLP)

16

17

18

19

20

21

22

23

24

25

1 In Support of the Imposition of Antidumping and
2 Countervailing Duty Orders:

3 Kelley Drye & Warren LLP

4 Washington, DC

5 on behalf of

6 Gerdau Ameristeel US Inc.

7 Keystone Consolidated Industries, Inc.

8 Charter Steel

9 Chris Armstrong, Chief Executive Officer,

10 Keystone Consolidated Industries, Inc.

11 Marcelo Canosa, Director of Marketing, Gerdau

12 Ameristeel US Inc.

13 Stephen Ashby, Vice President of Sales, Keystone

14 Steel & Wire

15 Holly Hart, Assistant to the President and

16 Legislative Director, United Steelworkers

17 Brad Hudgens, Economic Consultant, Georgetown

18 Economic Services

19 Paul C. Rosenthal)

20 Kathleen W. Cannon)

21) - OF COUNSEL

22 Alan Lubberda)

23 Grace Kim)

24

25

1 APPEARANCES (Continued):

2 Wiley Rein LLP

3 Washington, DC

4 on behalf of

5 Nucor Corporation ("Nucor")

6 Eric Nystrom Director, SBQ and Wire Rod, Nucor

7 Alan H. Price)

8 Daniel B. Pickard) - OF COUNSEL

9 Derick G. Holt)

10

11 In Opposition to the Imposition of Antidumping and

12 Countervailing Duty Orders:

13 Vorys, Sater, Seymour and Pease LLP

14 Washington, DC

15 on behalf of

16 The American Wire Producers Association ("AWPA")

17 Kimberly A. Korbelt, Executive Director, AWPA

18 John T. Johnson, Jr., President, Mid South Wire

19 Company and President, AWPA

20 Christian Stauffer, Vice President for Sourcing

21 and Logistics, Insteel Industries Inc.

22 Robert Moffitt, Vice President, Purchasing, Heico

23 Wire Group

24 Terry Hughes, Director of Purchasing for North

25 America, Bekaert Corporation

1 APPEARANCES (Continued):

2 Andrea Ramirez, Regional Counsel - Americas,
3 Group Legal U.S., Bekaert Corporation

4 Frederick P. Waite)
5) - OF COUNSEL

6 Kimberly R. Young)

7

8 Morris Manning & Martin, LLP

9 Washington, DC

10 on behalf of

11 Kiswire Ltd.

12 Kiswire America Inc.

13 (collectively "Kiswire")

14 David Minnick, Chief Executive Officer, Kiswire
15 America

16 Wan Kim, Advisor for Kiswire America

17 Donald B. Cameron)

18 Julie Mendoza) - OF COUNSEL

19 R. Will Planert)

20

21

22

23

24

25

1 APPEARANCES (Continued):

2 In Opposition to the Imposition of
3 Antidumping and Countervailing Duty Orders
4 Trade Pacific PLLC
5 Washington, DC
6 on behalf of
7 POSCO

8 Dr. Kiho Rhee, Ph.D., Quality Enhancement
9 Researcher, POSCO

10 John Ryoo, Sales Manager, POSCO America
11 Corporation

12 Jarrod M. Goldfeder)
13) - OF COUNSEL
14 Warren E. Connelly)

15
16
17
18
19
20
21
22
23
24
25

1 APPEARANCES (Continued):

2 Arent Fox LLP

3 Washington, DC

4 on behalf of

5 The Turkish Steel Exporters Association ("Celik

6 Ihracatcilari Birigli")

7 Icdas Celik Enerji Tersane ve Ulasim Sanayi A.S.

8 (collectively "Turkish Exporters & Producers")

9 Sebastian Frey, Vice President for Long Products,

10 Tata International Americas, Metals Division

11 Namik Ekinici, Chairman, Turkish Steel Exporters

12 Association

13 Ebru Dursun, International Relations Advisor,

14 Turkish Steel Exports Association

15 Nancy A. Noonan)

16 Andrew Jaxa-Debicki) - OF COUNSEL

17

18 Steptoe & Johnson LLP

19 Washington, DC

20 on behalf of

21 British Steel Limited

22 Bill Shields, Sales Manager, British Steel

23 Richard O. Cunningham)

24 Joel D. Kaufman) - OF COUNSEL

25 Thomas J. Trendl)

1 APPEARANCES (Continued):

2 NON-PARTY IN OPPOSITION

3 U.S. Tire Manufacturers Association

4 Washington, DC

5 Tracey J. Norberg, Senior Vice President and

6 General Counsel

7

8

9 REBUTTAL/CLOSING REMARKS:

10 Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP)

11 Respondents (Nancy A. Noonan, Arent Fox LLP)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

	Page
The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana	14
Vitalii Tarasiuk, Head of Economic and Trade Office	15
OPENING REMARKS:	
Petitioners (Alan H. Price, Wiley Rein LLP)	19
Respondents (Richard O. Cunningham, Steptoe & Johnson LLP)	23
Paul C Rosenthal - Of Counsel	27
Chris Armstrong, Chief Executive Officer, Keystone Consolidated Industries, Inc.	40
Eric Nystrom Director, SBQ and Wire Rod, Nucor	45
Marcelo Canosa, Director of Marketing, Gerdau Ameristeel US Inc.	49
Stephen Ashby, Vice President of Sales, Keystone Steel & Wire	53

I N D E X

1		
2		Page
3	Holly Hart, Assistant to the President and Legislative	
4	Director, United Steelworkers	57
5		
6	Thomas J. Trendl - Of Counsel	137
7		
8	Bill Shields, Sales Manager, British Steel	140
9		
10	Kimberly A. Korbel, Executive Director, AWPA	144
11		
12	John T. Johnson, Jr., President, Mid South Wire Company and	
13	President, AWPA	147
14		
15	Christian Stauffer, Vice President for Sourcing and	
16	Logistics, Insteel Industries Inc.	150
17		
18	Robert Moffitt, Vice President, Purchasing, Heico Wire Group	
19		154
20	Terry Hughes, Director of Purchasing for North America,	
21	Bekaert Corporation	158
22		
23	David Minnick, Chief Executive Officer,	
24	Kiswire America	162
25		

I N D E X

1		
2		Page
3	Dr. Kiho Rhee, Ph.D., Quality Enhancement	
4	Researcher, POSCO	166
5		
6	Tracey J. Norberg, Senior Vice President and	
7	General Counsel	169
8		
9	Sebastian Frey, Vice President for Long Products, Tata	
10	International Americas, Metals Division	174
11		
12	Nancy A. Noonan - Of Counsel	177
13		
14	Rebuttal/Closing Remarks:	
15	Daniel Pickard - Wiley Rein LLP	242
16	Paul C. Rosenthal - Kelley Drye & Warren LLP	246
17	Nancy A. Noonan, Arent Fox LLP	253
18	Warren Connelly - Trade Pacific PLLC	255
19	Donald Cameron - Morris Manning & Martin, LLP	256
20		
21		
22		
23		
24		
25		

P R O C E E D I N G S

9:39 a.m.

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

CHAIRMAN SCHMIDTLEIN: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-573 to 574 and 731-TA-1349 to 1358 Final involving carbon and certain alloy steel wire rod from Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, The United Emirates and The United Kingdom.

The purpose of these final 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 imports of carbon and certain alloy steel wire rod from the aforementioned countries.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand that the parties are aware of the

1 time allocations. Any questions regarding the time
2 allocations should be directed to the Secretary. Speakers
3 are reminded not to refer in their remarks or answers to
4 questions business proprietary information. Please speak
5 clearly into the microphones and state your name for the
6 record for the benefit of the court reporter. If you will
7 be submitting documents that contain information you wish
8 classified as business confidential your request should
9 comply with commission rule 201.6.

10 Mr. Secretary, are there any preliminary matters?

11 MR. BISHOP: Madam Chairman. I would note that
12 all witnesses for today's testimony have been sworn in.
13 There are no other preliminary matters.

14 CHAIRMAN SCHMIDTLEIN: Thank you very much.
15 Will you please announce our Congressional Witness?

16 MR. BISHOP: Our Congressional Witness today is
17 the Honorable Peter J. Visclosky, United States
18 Representative from the first district of Indiana.

19 CHAIRMAN SCHMIDTLEIN: Welcome, representative
20 Visclosky.

21 STATEMENT OF REPRESENTATIVE PETER J. VISCLOSKY

22 REPRESENTATIVE VISCLOSKY: We thank you very much.
23 I appreciated again the Commission allowing me to testify.
24 As always, appreciate your careful and thoughtful
25 consideration of the facts and case before you. I would

1 note that as mentioned in the opening remarks that there are
2 ten countries involved relative to steel wire rod. I would
3 use this opportunity to point out that I have had the
4 opportunity to testify on two other occasions.

5 We have to continue to be vigilant because in
6 those two prior cases only one country is today before you.
7 In the past, Japan has been subject to a hearing, Taiwan and
8 China on different steel products. So this is an assault on
9 our economy. We have to be vigilant every day. While the
10 case involves steel products I would point out it is
11 important to other economic sectors in our country,
12 including the agricultural community, the energy community,
13 construction and automotive.

14 So as always, again I appreciate the opportunity,
15 trust in your fairness but do ask and urge an affirmative
16 determination.

17 CHAIRMAN SCHMIDTLEIN: Thank you very much.

18 REPRESENTATIVE VISCLOCKY: Thank you very much.

19 CHAIRMAN SCHMIDTLEIN: Mr. Secretary, will you
20 please announce our embassy witnesses?

21 MR. BISHOP: Our Embassy Witness is Vitalii
22 Tarasiuk, Head of the Economic and Trade Office with the
23 Embassy of the Ukraine to the United States of America.

24 STATEMENT OF VITALII TARASIUK

25 MR. TARASIUK: Good morning. My name is Vitalii

1 Tarasiuk. I am on behalf of the Economic and Trade Office
2 of the Embassy of Ukraine to the United States of America.
3 I am here on behalf of the Government of Ukraine to share
4 our views concerning this matter. First of all, I would
5 like to thank the International Trade Commission for
6 permitting me to speak at this very important hearing.

7 Your proceeding comes at a time of great
8 political and economic importance for Ukraine. We hope that
9 the Commission's examination of the facts in this proceeding
10 and your decision will be objective and based on thoughtful
11 evaluation of the evidence. The Ukrainian side would like
12 to emphasize that the imports of wire rod from Ukraine did
13 not cause material injury to the U.S. Domestic Industry.

14 The analysis of conditions and volumes of imports
15 of wire rod to the United States made by the U.S.
16 International Trade Commission in the publication 4693 shows
17 that imports from Ukraine did not have a direct impact on
18 production of wire rod by the U.S. Industry because it was
19 directly interconnected with the imports from the third
20 countries.

21 Ukraine's wire rod production was heavily
22 concentrated in two major companies: ArcelorMittal Kryvyi
23 Rih and Metinvest Group. As a result of the attempted
24 annexation of the Autonomous Republic of Crimea and the City
25 of Sevastopol by the Russian Federation and its further

1 military invasion in certain areas of the Donetsk and
2 Luhansk regions, since 2014 slightly over 7% of the
3 territory of Ukraine temporarily remains out of control of
4 the Government of Ukraine.

5 Considerable parts of the production capacities
6 of Ukrainian Steel Industry as well as supportive industries
7 are concentrated on occupied part of Donbas, which is
8 temporarily outside the control of the Ukrainian Government.
9 As a result of the illegal expropriation of the Ukrainian
10 companies' assets and property by the Russian forces in
11 certain areas of Donetsk and Luhansk regions of Ukraine in
12 March 2017, a large part of Ukraine's steel industry was put
13 in uncertain position.

14 For example, as of the 15th of March, Metinvest
15 Group has declared a complete loss of control over the
16 operations of all assets in the temporarily non-controlled
17 territory, including the Yenakiieve Iron and Steel Works and
18 its Makiivka Branch and various support industries.
19 Metinvest Group was forced to completely stop economic
20 operations on these facilities.

21 This situation has inevitably had a profound
22 negative impact on manufacturing industries in Ukraine,
23 including the steel industry as well as many support
24 industries that provide raw materials and energy, such as
25 coke and coal. This in turn has negatively affected

1 industries outside of the region that rely on supplies from
2 or transport through temporarily non-controlled territory.

3 The largest producer of wire rod in the Ukraine -
4 - Arcelormittal Kryvyi Rih decreased the production of
5 commodity output by 19 percent (in wire rod production) from
6 2014 to 2016). At the same time, production capacity was
7 reduced by 11 percent and the number of workers decreased by
8 15 percent. As a result of suspension of trade with the
9 temporarily non-controlled territories in 2017,
10 ArcelorMittal Kryvyi Rih was forced to purchase significant
11 volumes of raw product and materials (for example: coke and
12 coal, limestone) at foreign markets. Imports of the said
13 products were carried out, in particular from the United
14 States as well as from other countries, which led to
15 increase in the cost price of finished products and
16 negatively affected the competitiveness of the company's
17 products.

18 This situation, generally, resulted in sharp
19 decrease of the steel production in Ukraine. Ukraine steel
20 production in the nine months to end-September 2017 fell
21 13.5 percent year on year to 15.8 million tons. Data from
22 the producers' union showed pig iron output fell by around
23 18 percent to 14.6 million tons in the first nine months of
24 this year, while rolled steel production was down 16
25 percent at 13.5 million tons.

1 For that matter, the Ukraine is not able to
2 increase its production or export capacity of wire rod and
3 therefore to cause or to threaten a material injury to the
4 U.S. Industry. Accordingly, we respectfully urge the U.S.
5 International Trade Commission to take a negative final
6 determination with respect to wire rod imported from
7 Ukraine.

8 I think you again for this opportunity to appear
9 before you, and I thank you for your hard work on this
10 important matter. We look forward to continued cooperation
11 with the U.S. Government in stabilizing the Ukrainian
12 Economy and hope that we can continue to develop an open and
13 productive trade relations with the United States. Thank
14 you.

15 CHAIRMAN SCHMIDTLEIN: Thank you Mr. Tarasiuk.
16 Are there any questions for Mr. Tarasiuk? Okay, thank you
17 very much.

18 Alright. We will now move to opening remarks.

19 MR. BISHOP: Opening remarks on behalf of
20 Petitioners will be give by Alan H. Price of Wiley Rein.
21 Mr. Price, you have five minutes.

22 OPENING STATEMENT OF ALAN H. PRICE

23 MR. PRICE: Good morning Chairman Schmidtlein,
24 Vice Chairman Johanson and Commissions Williamson and
25 Broadbent. I am Alan Price, counsel for Nucor Corporation.

1 I'd like to begin my opening statement by
2 emphasizing that this case represents a one-two punch. As
3 the Commission previously found in January of 2015, the U.S.
4 Wire Rod Industry was materially injured by massive surge of
5 Chinese Imports. This was the first punch.

6 U.S. Producers had reason to be optimistic that
7 as a result of trade relief provided by the antidumping and
8 countervailing duty orders on China that conditions in the
9 marketplace would begin to improve. However as the Chinese
10 orders were put in place, unfairly priced imports from the
11 ten Subject Countries surged into the U.S. Market at even a
12 higher level than the Chinese Imports and in many ways
13 inflicting even greater damage. This was the second and
14 even more painful punch.

15 In my opening remarks I would like to highlight
16 four basic numbers for you. The first number I would like
17 to bring to the Commission's attention is 9. As a
18 preliminary matter I would like to point out that the
19 Respondents have yet again made arguments that tire bead and
20 tire cord should be excluded from the domestic like product.
21 Nine is the number of times that the Commission has
22 examined this issue and has rejected these arguments, nine
23 times.

24 As you will hear further this morning, not only
25 does the record justify making similar determination today

1 but the record in this case may even be stronger than in
2 prior investigations. Tire bead and tire cord are just
3 types of wire rod in the spectrum of wire rod products.

4 The second number is 56, as in a 56 percent
5 increase in Subject Imports, specifically when measured by
6 volume Subject Imports rose by more than 56 percent from
7 2014 to 2016 reaching over 700,000 tons in 2016. I would
8 stress that by the end of 2015 subject wire rod had exceeded
9 the peak volumes of Chinese Imports and grabbed a double
10 digit share of the market. This is a significant increase
11 in the volume of imports.

12 The Commission record shows a huge portion of
13 this was shifted from U.S. Producers to lower priced Subject
14 Imports and the shifts involved every single country. It
15 bears repeating that this surge was even larger than the
16 surge from China which had already been found to be both
17 significant and injurious.

18 The third number is 187. This number reflects
19 the decrease in the price per ton of U.S. wire rod from 2014
20 to 2016. Put another way, U.S. wire rod prices fell by more
21 than 187 dollars per ton over the POI.

22 You will hear from multiple witnesses today.
23 Wire rod is highly interchangeable regardless of source and
24 is sold on the basis of price. Most purchasers usually
25 purchase from the lowest-price source. As a result when

1 Subject Imports accelerated into the U.S. Market in the
2 second half of 2014 and into 2015 they caused U.S. wire rod
3 prices to collapse. Already depressed prices fell more than
4 raw material costs. This is a significant price effect
5 under the law.

6 The last number is two, as in two U.S.
7 Manufacturers that were forced to shutter their wire rod
8 production facilities during the POI. Just a couple of
9 years ago Georgetown's company and union representatives
10 testified to the harm that imports are inflicting on their
11 facility. Any claim that imports did not play a role in
12 Georgetown's shutdown is simply not true.

13 ArcelorMittel and Republic Engineered Steel both
14 shut down wire rods permanently while others have cut pay,
15 shifts and hours worked. Moreover the bottom line is the
16 actual bottom line of the Domestic Producers. This is an
17 industry that has been negatively impacted as to production,
18 capacity, prices and profits and it is also public
19 information that the number of production and related
20 worker hours and wages all decreased from 2014 to 2016.

21 Only after the filing of these cases did the
22 numbers begin to show any increase which is just one example
23 of why the Post-Petition Effects Provision was added to the
24 statute. During the three year period of investigation
25 imports surged, prices declined, profits decreased and

1 workers lost their job. It was only a result of the filings
2 of these cases that there was some small improvement of the
3 health of the U.S. Industry.

4 But in the absence of import relief unfairly
5 priced imports will continue to injure the U.S. Producers
6 and their workers. So in conclusion, this case is very
7 straightforward. Subject Producers replaced Chinese wire
8 rod and stole the relief granted by the Commission. As a
9 result the U.S. Industry was devastated, profits plummeted,
10 mills closed and thousands of U.S. workers took home less
11 pay.

12 We ask the Commission to make affirmative
13 determinations with respect to all Subject Imports and to
14 restore a level playing field to the U.S. wire rod market.
15 Thank you.

16 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Price.

17 MR. BISHOP: Opening remarks on behalf of
18 Respondents will be given by Richard O. Cunningham of
19 Steptoe and Johnson. Mr. Cunningham, you have five minutes.

20 OPENING STATEMENT OF RICHARD O. CUNNINGHAM

21 MR. CUNNINGHAM: I suppose it's not surprising
22 that Mr. Price's statement does not focus on three facts,
23 all clearly demonstrated on this record that are essential
24 to any analysis by this Commission of what happened in the
25 U.S. wire rod market.

1 Fact number one, contrary to what Mr. Price says,
2 shipments and market share of these Domestic Producers you
3 see before you here increased significantly during the
4 Period of Investigation, not declined. The data that you
5 looked at in the preliminary investigation which showed a
6 very small 1-2 percent decline in market share for the U.S.
7 Producers were distorted by the exit from the industry of
8 Republic and ArcelorMittel and the closures of those mills
9 contrary to what Mr. Price has just said were not caused by
10 Subject Imports.

11 Republic's wire rod production was at its Lorain,
12 Ohio Bar Mill. That mill closed because of problems in the
13 bar market, notably the collapse of the oil and gas market.
14 It was this bar demand issue that resulted in the closure of
15 that facility.

16 ArcelorMittal was forced to close its Georgetown,
17 South Carolina mill when both the Federal government and the
18 State government declined to spend 70 million dollars that
19 was necessary to dredge the silted over Georgetown Harbor.
20 That harbor had become unusable for importation of the DRI
21 which was needed to operate that plant. This was a fatal
22 blow to that mill's competitiveness, particularly with
23 Nucor's new state-of-the-art Darlington, South Carolina Mill
24 only 100 miles away.

25 This is important because the volume lost by

1 those two closures accounted for all indeed, much more than
2 all, of the decline in Domestic Industry shipments that you
3 found in the preliminary investigation. indeed, apart from
4 ArcelorMittal and Republic the rest of the U.S. Industry,
5 the producers for whom this case is brought, had a
6 substantial increase in their market share, an increase
7 twice as large as the market share increase of Subject
8 Imports.

9 Fact number two. It is now clear that cost
10 declines, especially the precipitous fall in the price of
11 stainless steel scrap fully explained the POI behavior of
12 wire rod prices. Your staff's variance analysis in the
13 preliminary investigation correctly concluded that the
14 Domestic Industry problems were not on the volume side but
15 were caused by the decline in wire rod prices.

16 But the record is clear that Subject Imports
17 neither depressed nor suppressed U.S. firm's prices.
18 Consider the following: Cogs declined by a greater
19 percentage than rod prices. The steel scrap price declined
20 by much more than the wire rod price. I urge you to
21 compare the decline from the peaks of scrap and wire rod
22 prices at the beginning of 2014 to their low points at the
23 beginning of 2016.

24 And finally, any doubt about causation disappears
25 when you note that scrap prices declined from the start of

1 2014 pulling wire rod prices down with them and then
2 immediately after the scrap price turned up at the end of
3 2015 a full year before this case was brought, the wire rod
4 price turned up. That correlation is clear, there is no
5 correlation with Subject Imports.

6 Fact number three. The Petitioners' argument
7 that Mr. Price made of the first and second punch is wrong
8 on the law and wrong on the facts. This is a case about
9 imports from these countries. It is not about Chinese
10 Imports. Chinese imports declined during the POI by more
11 than the increase in Subject Imports while the shipments by
12 these Domestic Producers increased during the POI.

13 In such circumstances the Commission has
14 consistently found that any increase in Subject Imports did
15 not come at the expense of U.S. Producers and it has found
16 so even where the non-subject imports decline because of
17 antidumping and countervailing duty orders.

18 Moreover the data show that these domestic
19 companies took a greater share of the departed Chinese
20 volume during the 2014/2016 period than the share of the
21 overall market that they had at the start of the POI. In
22 short, they have no basis to complain that Subject Imports
23 deprived them of the benefit of the China orders because
24 they got a share of Chinese Imports that you would have
25 expected given where they were at the start of the period.

1 On the basis of these three considerations the
2 Commission must find that Subject Imports have caused
3 neither volume injury nor price injury. The Commission also
4 needs to address three other significant issues. One is the
5 need to determine the grade 1080 tire cord and tire bead as
6 a separate like product. You will hear a lot about that
7 from our witnesses.

8 Second; imports from several of these countries
9 were negligible. Finally there is no basis for finding
10 critical circumstances as to any of these countries. Thank
11 you.

12 CHAIRMAN SCHMIDTLEIN: Thank you, Mr. Cunningham.

13 MR. BISHOP: Would the Panel in support of the
14 imposition of the Antidumping and Countervailing Duty Orders
15 please come forward and be seated. Madam Chairman, this
16 Panel has sixty minutes for their direct testimony.

17 CHAIRMAN SCHMIDTLEIN: Mr. Rosenthal, you may
18 begin when you're ready.

19 STATEMENT OF PAUL C. ROSENTHAL

20 MR. ROSENTHAL: Thank you. Good morning, Madam
21 Chairman, Commissioners. I'm Paul Rosenthal with Kelley
22 Drye & Warren. I'll be summarizing the key data in this
23 case on behalf of the domestic industry.

24 As you've heard and as you well know, just a
25 couple of years ago, imports of wire rod from China surged

1 into the market, increasing from negligible levels to
2 600,000 tons over that particular period of investigation.
3 The Commission made an affirmative determination of material
4 injury in that case for which the domestic industry remains
5 grateful. That affirmative injury determination created a
6 slight improvement in the domestic industry's condition for
7 a few months and was cause for optimism.

8 As we mentioned in our prehearing brief, even
9 the counsel for one of the foreign producers in a
10 contemporaneous sunset case on wire rod expressed optimism
11 as he noted that the Chinese imports were retreating from
12 the market and that would provide U.S. domestic industry
13 with an opportunity for another 600,000 tons of sales.

14 Unfortunately, as soon as imports from China
15 began to decline, imports from the subject countries began
16 to surge. Thus, as Chart 2 shows, the domestic wire rod
17 industry has faced back-to-back import surges with the
18 second one extending the period of import related injury
19 over six years. Thus, the imports from China that preceded
20 the current period of investigation are an important
21 condition of competition in this industry.

22 The Commission knows very well the concept of
23 cumulation, which is concerning with the collective
24 hammering effects of imports from several countries. In
25 this case, there's no contest that subject imports should be

1 cumulated. The collective hammering effect in this is
2 sequential as well. First, the domestic industry was
3 crushed by the weight of 600,000 tons of imports from China.
4 And as the industry was beginning to recover, another
5 700,000 tons were dropped on the market by the subject
6 imports. Coming as it did, after the import surge from
7 China, the recent import onslaught is even more injurious.

8 Now slide 4 goes back to the imports from China,
9 which was devastating to the domestic industry. Unlike in
10 the previous case where we had a rocketship shooting upwards
11 and demonstrating the steep climb in imports, we didn't do
12 it this time. And I apologize to Commissioner Broadbent,
13 who I know really did like that rocketship graphic, but my
14 colleagues limit the number of cartoons and graphics of that
15 sort in my presentations nowadays.

16 With the domestic industry already in a weakened
17 condition, the subject imports increased in this case over
18 56 percent as you heard from Mr. Price and peaked at over
19 700,000 tons in 2016.

20 The Commission properly found in its preliminary
21 determination that that volume is significant. Not only
22 have the absolutely volumes of subject imports risen from
23 2014 to 2016, they captured a significant and increasing
24 share of the U.S. market over that period. The 6.3 percent
25 increase in market share alone is quite significant.

1 Slide 7 is a comparison of the three full years
2 of the period of investigation in the Chinese case with the
3 three full years of the current POI. In each of the
4 comparison years, the subject import market shares have been
5 higher than the imports from China. And not to beat a dead
6 horse, but you found injury in that case, the injury here is
7 even more apparent.

8 Slide 8 shows imports of each of the first three
9 quarters of 2017 compared to the same quarters of the
10 previous year. As you can see, subject imports in the first
11 quarter of 2017 exceeded those in the comparable period of
12 2016, which itself was an exceptionally high amount.

13 Now when the domestic industry filed the current
14 trade cases at the end of the first quarter of this year,
15 imports jumped up even higher in the second quarter in an
16 obvious effort to beat the imposition of provisional duties.
17 There's no question about that surge. And we'll have more
18 to say about critical circumstances later. But the point of
19 this slide is that imports continued to surge the first half
20 of this year and only began to taper off in the third
21 quarter as provisional measures beckoned. In short, the
22 subject import volumes have been substantial throughout the
23 POI and only began to decrease after the cases were
24 underway.

25 Slide 9 provides a little bit more granularity

1 to the import trends in 2017, showing the subject imports
2 were trending upward until the last few months and that was
3 only because of the filing of these cases.

4 Turning to the issue of price, slide 10
5 summarizes the data in the staff report concerning
6 underselling. The report shows underselling in over 83
7 percent of the quarterly comparisons accounting for 84
8 percent of the volume.

9 Respondents will as usual today offer non-price
10 reasons why they purchase imports, but the next summarizes
11 purchasers' admissions that they bought the subject imports
12 because they were in fact lower priced.

13 Indeed about three-quarters of purchasers made
14 that admission. Nothing on the slide should surprise the
15 Commission. After all, you have found wire rod it be price
16 sensitive - a price-sensitive product in the past. And
17 these purchasers were simply buying low-priced subject
18 imports to substitute for and supplement low price Chinese
19 imports. No surprises.

20 There's nothing special about the Chinese
21 imports and there's nothing special about the substituted
22 non-subject -- subject imports from this case.

23 Slide 12 contains -- it's confidential
24 obviously, but you have in front of you the small sampling
25 of quotes from the purchasers. And I hope you take a minute

1 to look at those. They acknowledge the importance of price
2 and the reality that the imports increased because of low
3 prices being offered by the subject producers.

4 They're telling the truth when they report that
5 in their questionnaire to you, but the low priced imports
6 did more than just capture large volumes. They forced the
7 domestic producers to lower their prices in order to
8 maintain sales volume. Confidential slide 13 shows that at
9 least nine purchasers reported that U.S. producers lowered
10 their prices between 5 and 15 percent in order to obtain
11 sales.

12 It's not just raw material prices or costs that
13 were going down. Prices were going down because customers
14 said you better drop them if you want to get the sale.
15 That's the truth. That's what they admitted to.

16 The next confidential slide provides you some
17 more information on the purchasers who acknowledge that the
18 U.S. producers lowered their prices to main sales volume.
19 These are not small purchasers. They account for a
20 substantial amount of volumes purchased. Many other
21 purchasers forced domestic producers to lower their prices.
22 They just didn't admit to the Commission in response to your
23 questionnaires.

24 Respondents spent - spend much of their time
25 claiming that the U.S. producers cannot supply certain

1 products for the entire marketplace, yet they cannot explain
2 why they consistently insist that domestic producers lower
3 their prices to compete against subject imports.

4 Respondents' briefs spend many pages discussing
5 raw material costs decreases through most of the period.
6 You heard Mr. Cunningham make that as his big point number
7 2. They don't mention that prices fell further than raw
8 material costs as shown in slide 15. And they talk,
9 respondents do, about multiple price increase announcements
10 by petitioners, but they also forget or omit the discussion
11 about how many of such announcements actually stuck.

12 The answer from our point of view, the domestic
13 industry's point of view, is not enough because if you look
14 at the next slide, you'll see that despite recent raw
15 material related price increase announcements, the domestic
16 producer prices for all the products analyzed by the
17 Commission staff have declined from the first quarter of
18 2014 to the third quarter of 2017.

19 So all the talk in the briefs by respondents
20 about price increase announcements have not managed to get
21 the prices back to where they were at the beginning of the
22 period of investigation. And those were injurious prices
23 from the Chinese investigation.

24 Some of the respondents actually have the
25 audacity to argue that the domestic wire industry has not

1 been injured by the subject imports. The next two slides
2 provide the key trade and financial indicators, which have
3 all declined from 2014 to 2016 prior to when these current
4 cases were filed.

5 Capacity, production, domestic shipments and
6 values, market share and production related workers all
7 declined. Similarly, every financial measure, every measure
8 of profit declined over the same period.

9 Let's just focus on operating and net income.
10 Slide 19 shows that operating income declined from \$52
11 million in 2014, a year in which the domestic industry was
12 still being injured by imports from China, to \$25 million in
13 2016. That's a decrease of 50 percent. Net income declined
14 by closer to 55 percent dropping from \$46 million to \$21
15 million. Those profits started at injurious levels and
16 declined further.

17 Slide 20 shows the operating income margin in
18 2014 was a low injurious level of 2.8 percent in the wake of
19 the Chinese import surge and declined further to 1.9 percent
20 in 2016 as subject imports increased their market share.

21 As subject import market share began to decline
22 in 2017, operating income improved somewhat, but remained at
23 an inadequate level. Indeed, the 2017 profitability of 3.9
24 percent is barely above the profitability of 3.6 percent in
25 the Chinese case, which the Commission found injurious.

1 You heard a little bit of this from Mr.
2 Cunningham earlier as they've argued that subject imports
3 merely replaced the imports from China and therefore did not
4 injure the domestic industry. I think that was his big
5 point number 1.

6 As the Commission, however, properly pointed out
7 in its preliminary determination in this case, the focus of
8 the statute is the absolute and relative level of subject
9 imports. That said, this next chart shows that respondents
10 are wrong as a matter of fact as well as a matter of law.

11 Subject imports in 2014 were higher than the
12 level obtained that year by the Chinese and in 2015 and 2016
13 reached higher levels than the Chinese were able to achieve
14 at their injurious peak. In all of the years of the POI,
15 subject import volumes were significant and by the way,
16 that's the statutory standard.

17 And as shown in slide 23, subject imports were
18 not simply substituting for the market share obtained by the
19 Chinese as suggested by Mr. Cunningham. Both the imports
20 from China and subject imports share came at the expense of
21 the domestic industry and the U.S. industry has continued to
22 lose more market share due to subject imports.

23 It cannot be emphasized enough that the impact
24 of the judge imports is far more pernicious than one would
25 suspect looking simply at the current period of

1 investigation. Slide 24 shows the operating income for the
2 domestic industry in 2011 before the surge from China.
3 Profitability has declined dramatically ever since. And
4 despite the affirmative decision against the Chinese
5 imports, profits have continued to decline to abysmally low
6 levels.

7 Not surprising as this next chart shows, capital
8 expenditures have continued to decline since the China case
9 as the subject imports have not permitted the domestic
10 industry to recover.

11 Respondents in their briefs have mentioned
12 declining demand as an explanation for the domestic
13 industry's injury, but this next slide shows the fallacy of
14 the argument. While the market declined by 4.2 percent,
15 subject imports surged over 56 percent. So subject imports
16 weren't just meeting market needs. Instead, the subject
17 imports caused the U.S. producer's market share to decline.
18 You can see here, the growth rate of U.S. shipments was
19 minus .6 whereas the growth rate of the U.S. market is minus
20 4.2.

21 Nor were raw material costs a cause of the
22 decline of profitability of the domestic industry. Indeed,
23 it's hard to understand why Mr. Cunningham and his
24 colleagues continued to harp on the decline in raw material
25 costs as if that accounts for everything. They keep

1 forgetting that prices declined faster and further than raw
2 material costs. One would expect that with raw material
3 cost declines, the industry might become more profitable
4 but that did not happen. The opposite happened.

5 In fact, if you want to know why that happened,
6 go back to slides 8 through 12 of this presentation where
7 all the purchasers, all of the respondents admitted that
8 they bought foreign subject imports because they were lower
9 priced and they forced U.S. producers to lower their price
10 in order to get sales. That's the reason why prices
11 declined faster than costs.

12 Now respondents' other point and Mr.
13 Cunningham's opening had to do with the closures of
14 ArcelorMittal's Georgetown facility and Republic's Lorain
15 plant. And they claim it had nothing to do with those -
16 the closure had nothing to do with imports, but that's not
17 true.

18 As this next slide shows, the respondents have
19 ignored contemporaneous statements made by those companies
20 who are not sitting at this table and not petitioners in
21 this case, when they closed those facilities. These are
22 what those companies asserted when those facilities closed.

23 Now there may have been other reasons that were
24 involved in the closure of those facilities, but one cannot
25 deny that imports were a reason, a cause of those facility

1 closures.

2 Turning to the threat, confidential slide 30
3 shows the massive excess capacity posed by subject
4 producers. That excess capacity would allow them to
5 increase exports substantially if they're not restrained by
6 duties as a result of these cases.

7 Indeed, the next slide shows that the subject
8 countries have more excess capacity than the entire U.S.
9 market. They represent a serious threat of further injury
10 if no relief is granted in this case.

11 In my remaining time, I want to briefly mention
12 a couple of issues that Mr. Cunningham mentioned, which are
13 critical circumstances and 1080 tire cord and bead.

14 As we explained in our briefs, the record
15 provides the grounds for an affirmative critical
16 circumstances in the determination in this case. The
17 Commerce Department has made affirmative determinations for
18 Russia, South Africa, Spain, the U.K., and Turkey, except
19 for two companies.

20 The amount of the surge is dramatic and the
21 amount of inventory of the subject imports also increased
22 rapidly. The Commission should understand that these - in
23 this stagnant U.S. market, the surge has meant that U.S.
24 purchasers were able to stock up on inventory and postpone
25 the need to buy from the domestic industry. And I have to

1 say that one of the problems in the critical circumstance
2 analysis is that you don't collect - the Commission doesn't
3 collect data on inventories in end users' stockpiles. You
4 look at inventories by importers and purchasers, but not
5 where most of this inventory is stuck right now.

6 By being able to push out the time at which it
7 would need to purchase from the U.S. producers, the surge
8 and resultant inventories by these purchasers has undermined
9 remedial effect of the orders.

10 Turning last to 1080 tire cord and bead, the
11 respondents continue to make the argument that's it's a
12 separate-like product, the Commission has consistently
13 rejected this argument going back at least 20 years to 1997.
14 You have consistently found that the 1080 tire and cord and
15 bead to be within the same continuum like product as all
16 other carbon and alloy steel wire rod and consistent with
17 your previous determinations and your preliminary
18 determination in this case, you found 1080 tire cord and
19 bead, again, to be within the same like product continuum.

20 There have been no new facts presented, no new
21 arguments presented that you haven't considered before and
22 rejected and the same thing is true today. And there's no
23 good reason to change your determination.

24 Now I will say if the respondents repeat their
25 testimony at the staff conference later this afternoon, they

1 will end up spending a disproportionate amount of time
2 discussing 1080 tire and cord and bead. As this
3 confidential slide shows, that product represents a tiny
4 part of the market and a tiny percentage on increased
5 volumes of subject imports. It's fine with petitioners if
6 the respondents want to use their time later today to
7 discuss the hole rather than the donut, but we want you, as
8 you listen to that testimony, to understand the relatively
9 small portion of the market that 1080 tire cord and bead
10 represents in this industry and imports overall.

11 MR. ROSENTHAL: As you look at that 700,000 tons
12 of imports that came in from the subject imports, understand
13 how minuscule a proportion of that import surge was
14 represented by 1080 tire cord and bead.

15 Thank you very much for listening to my
16 presentation. Our first industry witness will be Mr.
17 Armstrong.

18 STATEMENT OF CHRIS ARMSTRONG

19 MR. ARMSTRONG: Thank you. Good morning. My name
20 is Chris Armstrong. I am Chief Executive Officer of
21 Keystone Consolidated Industries, the parent company of
22 Keystone Steel & Wire of Peoria, Illinois.

23 It is my privilege to manage over 1,200 employees
24 whose families rely upon Keystone for their income, health
25 care, pensions, and benefits that these good-paying jobs

1 provide to our families and communities.

2 Keystone is a domestic producer of carbon and
3 alloy steel wire rod. We produce a wide range of wire rod
4 products from low and medium carbon rods to the more
5 technically demanding CHQ and high carbon wire rods. Our
6 production includes 1080 tire bead wire rod also.

7 When I came to Keystone as Chief Strategy Officer
8 in 2012, we embarked on a capital improvement program. Over
9 the last several years we have made continual upgrades to
10 our wire and rod melt facilities, including a multi-million
11 dollar upgrade to extend our product offerings to existing
12 and new customers in order to maintain volume.

13 With China dropping out of the U.S. market in
14 2015 due to the Trade Orders, followed by the closure of
15 over half a million tons of capacity at Elsalor Metal
16 Georgetown and the closure to Republic's Loraine facility in
17 2016, Keystone should have been in a position to take
18 advantage of our investments to increase our volume and
19 profitability.

20 Unfortunately, importers simply switched from
21 one-stop shopping in China for low-priced dumped and
22 subsidized imports to sourcing dumped and subsidized wire
23 rod from the array of countries subject to this case.

24 As those new wire rod sources opportunistically
25 filled in all of the volume we thought would be available

1 for the domestic industry to supply, the expected
2 improvements never materialized.

3 Keystone's return on its investment consequently
4 has been well below what is necessary to maintain our future
5 capital investments. Because of that, we have delayed or
6 postponed additional planned capital projects.

7 Over the last couple of years we have seen low
8 import prices driving down or holding down domestic prices.
9 Wire rod customers are very price sensitive, and the market
10 pricing is quite transparent. It only takes one import
11 source to offer lower prices to start prices moving
12 downward, or to keep us from being able to increase prices.

13 The ready availability of multiple sources of
14 lower priced imports leads purchasers to anticipate and
15 demand lower prices from us as well.

16 Because these new entrants undersell Keystone,
17 just like the Chinese did, the purchasers expect Keystone to
18 lower its prices to the levels of the import prices to get
19 their business back or keep their existing business.

20 If we don't initially react to the lower import
21 prices, the purchasers may buy the lower priced imports, or
22 they may elect to delay ordering anything and wait for an
23 anticipated price drop. The customer does not want to be
24 caught with inventory that is priced higher than the market
25 price being led downward by the imports.

1 As a result, the buyers have learned to be
2 patient until someone blinks. And it is usually the
3 domestic producers that have to blink. Domestic producers
4 have huge investments in plant, equipment, and labor, and
5 this is our primary market.

6 We have to be successful in this market. We must
7 try to keep the volume up in our mills and obtain a price
8 that allows an adequate return on our investment. That is
9 not a concern for the traders who buy imports at the lowest
10 possible price and sell at a minimal markup.

11 It is also not a concern for the foreign
12 producers selling excess capacity into the United States
13 market because the U.S. prices do not affect their domestic
14 prices. But it is a major problem for us.

15 With import competition at even lower prices in
16 2016, we were forced to be aggressive in trying to match
17 import prices to maintain our volume. As import prices
18 fell, the volume became even more important. We found
19 ourselves having to try to compete for every ton, no matter
20 how small the order. Smaller orders also mean higher unit
21 production costs, even in the face of lower unit prices.

22 Even after cutting our prices to the bone, we
23 often weren't successful in obtaining sales. Customers
24 routinely demanded prices below our costs, and we had to
25 decide whether to lose money on the sale or simply lose the

1 sale entirely.

2 We have seen improvements in orders and inquiries
3 as a result of the case filing. Some major customers that
4 had moved from Keystone to subject imports over the last
5 couple of years are once again placing inquiries and orders
6 with us.

7 We are by no means, though, out of the woods.
8 However, the subject import volumes have remained high until
9 relatively recently, and our ability to take advantage of
10 these volume opportunities and to realize much-needed higher
11 pricing hangs in the balance.

12 It is critical that the Trade Orders are put in
13 place to ensure that pricing and volume can continue to
14 improve. If we are not able to address these unfairly
15 low-priced imports, we can expect things to get worse fairly
16 quickly.

17 The foreign producers continue to have massive
18 excess capacity. Given the opportunity, they will continue
19 to dump that surplus capacity into the United States, which
20 is the largest open market for wire rod in the world.

21 We cannot withstand any further erosion of our
22 prices and revenues as this strategy by the foreign
23 producers continues.

24 It is therefore vital that we are able to obtain
25 relief against dumped and subsidized imports. If we don't,

1 U.S. mills like Keystone will find required investments
2 simply unaffordable. I fear we will fall behind on
3 investment to a point where we will never be able to catch
4 back up. Thank you.

5 STATEMENT OF ERIC NYSTROM

6 MR. NYSTROM: Good afternoon. My name is Eric
7 Nystrom and I'm the Director for SBQ and Wire Rod for Nucor
8 Corporation. I've been employed with Nucor for 17 years.
9 Nucor has four wire rod facilities in Nebraska, Connecticut,
10 Arizona, and South Carolina.

11 I appreciate the opportunity to speak with the
12 Commission today, and I urge you to find that wire rod
13 imports from the 10 subject countries have materially
14 injured our industry.

15 The U.S. wire rod industry has experienced two
16 massive surges of unfairly traded imports back to back.
17 First, unfairly traded imports. First, unfairly traded
18 Chinese imports completely devastated the U.S. wire rod
19 industry. While we were granted relief in January 2015, we
20 never had a chance to recover as subject imports rushed into
21 the market at extremely low prices.

22 Imports from the 10 subject countries more than
23 replaced the injurious Chinese imports. By the end of 2015,
24 subject import volume exceeded China's peak volume. Going
25 into 2016, subject import volume continued to climb to well

1 over 700,000 tons, taking additional share from U.S.
2 producers.

3 The one/two punch of Chinese and subject imports
4 has left the industry dazed. Our operating margins over the
5 three-year POI are even worse than the China case.

6 Wire rod is sold principally on the basis of
7 price. The domestic industry competes head-to-head with
8 subject imports on a daily basis. Domestic wire rod is
9 interchangeable with subject rod, and U.S. producers can
10 make virtually any grade of wire rod. We compete with
11 subject wire rod for sales along the entire continuum of
12 wire rod from standard industrial grades to grades used for
13 tire reinforcement.

14 Despite claims from those opposing relief, there
15 is no requirement that tire bead and tire cord wire rod be
16 produced in a basic oxygen furnace. In fact, there are
17 several subject producers that use EAS to make these
18 products. Interestingly, they have elected not to appear
19 here today.

20 Nucor recently shipped its first order of tire
21 bead wire rod which was produced at our Darlington
22 facilities in billets that were melted in our electric arc
23 furnace. Additionally, wire rod for tire applications can
24 be rolled in the United States by purchasing billets from a
25 BOF producer.

1 While Nucor takes pride in our steel production,
2 two of our rod mills do not melt steel and we can and do
3 source imported BOF billets. But it is important to
4 recognize that wire rod for tire applications is a minor
5 portion of the subject imports. The vast majority of grades
6 imported into the United States from subject countries are
7 other low, medium, and high carbon grades.

8 Nucor spent tens of millions of dollars to start
9 production at our state-of-the-art Darlington facility.
10 However, because of unfairly traded subject imports, we have
11 not received adequate returns on this and other investments.
12 And unless relief is granted, it would be extremely
13 difficult to justify future investments.

14 Not only has the wave of subject imports stymied
15 investment, but it has also forced two U.S. mills to cease
16 production. In August 2015, Arcelor-Mittal USA shuttered
17 its Georgetown wire rod facility, and in March 2016
18 Republic's Loraine facility was idled.

19 As Arcelor-Mittal cease producing wire rod in the
20 United States, the company's importing arm started bringing
21 in wire rod from several different countries, including
22 South Africa, Spain, and Ukraine.

23 This is why it is so important that the hammering
24 effects of all subject imports are considered together.
25 Otherwise, these international steel companies, trading

1 companies, and sophisticated purchasers will simply shift to
2 any subject country that is left out of the Order.

3 Antidumping and countervailing duty orders on
4 wire rod from the subject countries are necessary to prevent
5 further damage to the domestic industry. The United States
6 is one of the largest, most open and traditionally
7 attractive markets in the world. In the absence of trade
8 relief, and with their massive amount of excess capacity,
9 subject producers will continue to send large volumes of
10 imports to the United States.

11 I want to emphasize that as a result of filing
12 these petitions, and Commerce's recent preliminary
13 determinations, we have seen subject imports start to
14 retreat from the market. Prices have recovered somewhat.
15 U.S. producers were able to make additional sales at higher
16 prices, which led to a gradual but very modest improvement
17 in the domestic industry's performance.

18 To be sure, Nucor's interim financial performance
19 is directly related to these petitions. But make no
20 mistake, if the petitions were not filed earlier this year,
21 subject imports would have continued to pour into the U.S.
22 market and we would have continued to lose sales to cheap
23 imports, which would undoubtedly occur absent the imposition
24 of orders.

25 On behalf of Nucor and our teammates, I urge the

1 Commission to grant trade relief against wire rod imports
2 from all subject countries. Thank you.

3 STATEMENT OF MARCELO CANOSA

4 MR. CANOSA: Good morning. My name is Marcelo
5 Canosa. I'm the Director of Marketing for Gerdau Ameristeel
6 North America. I have worked in the steel industry for 18
7 years, most recently as wire rod and rebar sales director.

8 Gerdau is a major supplier of long steel
9 products, including carbon and alloy wire rod in the United
10 States. We produce wire rod in Beaumont, Texas, and
11 Jacksonville, Florida. As you are aware, just a couple of
12 years ago our industry brought an unfair trade case against
13 imports of wire rod from China.

14 In January 2015, the Commission granted import
15 relief to our industry. As important as that finding was,
16 the benefits of the Orders were short-lived. Imports from
17 the countries subject to this case almost immediately took
18 the place of the Chinese imports.

19 The imports from the 10 countries targeted by
20 this trade action have been able to significantly increase
21 sales by aggressively under-selling U.S. producers,
22 including Gerdau.

23 Pricing United States wire rod is extremely
24 transparent, with industry publications regularly publishing
25 wire rod prices. Further, the market is dominated by spot

1 market sales, so prices are openly communicated and changed
2 frequently.

3 Even for the relatively few sales that Gerdau
4 makes under annual supply agreements, prices are often
5 renegotiated on a monthly or quarterly basis. Given the
6 openness of the market, a small volume of low priced imports
7 from one of the subject countries often quickly has a big
8 impact on U.S. prices.

9 We were forced to lower our prices throughout the
10 2014 to 2016 period in order to compete with imports that
11 were under-cutting our prices. Gerdau had to institute
12 foreign fighter pricing programs with major customers in an
13 effort to keep up sales volumes.

14 Foreign fighter pricing means customers tell us
15 the import price, and then we must match it if we want to
16 keep their business. Because wire rod production is highly
17 capital intensive, we must keep our mills running to cover
18 large fixed costs.

19 So we have had little choice but to cut prices to
20 keep our sales. Although we have seen some price
21 improvement in the second and third quarters of this year,
22 that has only been in response to the impact of this case
23 which we filed at the end of the first quarter.

24 Gerdau competes directly with subject imports
25 every day. We know from our customers that subject imports

1 have not captured sales because they offer better quality or
2 a special type of wire rod. Gerdau is a dedicated
3 world-class producer of wire rod. Our very broad range of
4 wire rod products includes low carbon, high carbon, welding
5 quality, cold heading quality, tire bead, and many other
6 specialty types of rod.

7 We have not lost sales to imports due to quality
8 issues or an inability to supply a wide range of types of
9 rod. We have lost sales to the subject imports strictly on
10 the basis of price. This downward pricing pressure has led
11 to substantial reductions in our financial returns over the
12 2014 and 2016 period.

13 Our capital expenditures were cut drastically in
14 2016 due to the mounting losses. In fact, our Beaumont and
15 Jacksonville plants have had to delay or place on hold
16 \$40 million worth of capital investment projects designed to
17 improve our production efficiency and output.

18 This situation is not sustainable over the long
19 term. Because of the filing of this case, we have begun to
20 see some improvement in our profitability in 2017. Even
21 that improvement is tenuous. Our returns are not sufficient
22 to cover our capital investment needs, and are inadequate by
23 any measures.

24 If unfair trade orders are not put in place, any
25 recent financial improvements will almost certainly be

1 undone. I believe Gerdau's wire rod operations, products,
2 customer service, and employees are the best in the
3 industry. In fact, I want to make special mention of the
4 dedication of our employees during the recent hurricane that
5 affected our Beaumont and Jacksonville facilities. Our
6 Beaumont facility was down for less than three weeks, and
7 our Jacksonville facility was down for less than three
8 days.

9 We are very grateful that our employees'
10 dedicated efforts were able to quickly get us back up and
11 running at both locations. Because we had inventories of
12 wire rod on site, we were able to meet our customers'
13 immediate needs and regular output returned quickly.

14
15 The short suspension of production at our two
16 facilities has had no meaningful impact on our output of
17 wire rod for the year, and certainly did not cause any type
18 of supply shortage in the market, as that was the only U.S.
19 producer of wire rod to be affected, and the rest of the
20 industry had plenty of capacity available throughout the
21 period.

22 In conclusion, despite the dedication of our
23 employees and our production capabilities, Gerdau is
24 currently in a very precarious position because of the
25 injurious impact of subject imports.

1 These imports are being sold at unfairly low
2 prices and are threatening our continued existence. We urge
3 the Commission to reach affirmative determinations and
4 impose Orders in this investigation. Thank you for your
5 attention. That concludes my remarks.

6 STATEMENT OF STEPHEN ASHBY

7 MR. ASHBY: Good morning, Madam Chairman and
8 Members of the Commission. I am Stephen Ashby, the Vice
9 President of Sales for Keystone Steel & Wire. I have served
10 in this capacity since May 2015.

11 I have been involved in the rod and wire business
12 in excess of 30 years, and I appreciate the opportunity to
13 testify before you today to describe the injury we have
14 suffered due to unfairly traded imports from the 10 subject
15 countries.

16 The last several years have been challenging for
17 our industry and for Keystone. Just two years ago I
18 testified before the Commission regarding the injury to our
19 industry due to the surge of unfairly traded wire rod from
20 China.

21 Although the Commission's affirmative vote in
22 that case helped to restore a level playing field with
23 respect to China, the recovery the industry desperately
24 needed never materialized. As you have heard, those
25 unfairly traded imports from China were simply replaced by

1 unfairly traded imports from countries targeted in this
2 case.

3 This shift occurred for at least two reasons.
4 First, when the unfairly traded imports from China pulled
5 out of the U.S. market after being slapped with substantial
6 antidumping and countervailing duties, they were immediately
7 diverted to other markets around the world, including the
8 subject countries.

9 As Chinese imports displaced sales in those
10 markets, wire rod from those other markets had to find
11 someplace else to go. And given the size and openness of
12 the U.S. market, the United States was an attractive outlet
13 for these displaced sales.

14 Second, the same trading companies that exploited
15 low price imports from China found new sources in the
16 subject countries to replace the Chinese wire rod they had
17 been selling. While the unfairly traded imports are now
18 spread over 10 different countries instead of just coming
19 from China, the effect is exactly the same. Instead of
20 trying to match those low prices offered by China, we are
21 now having to compete with low prices offered by the
22 producers in the 10 different countries.

23 Regardless of the source country, it is the low
24 import prices that set the U.S. pricing market. With so
25 many sources offering wire rod in the United States at the

1 same time, purchasers know they can demand the low prices
2 they want in a never-ending downward spiral.

3 Import wire rod, regardless of its source, is
4 highly interchangeable with the domestic wire rod. As a
5 result, we compete head-to-head with subject imports on the
6 basis of price.

7 In 2013, it was imports of 600,000-plus tons of
8 wire rod from China at low prices that were injuring our
9 industry. And in 2016, the 10 subject producers in this
10 case accounted for an even higher volume of over 700,000
11 tons in a smaller market.

12 The low import prices from these 10 sources are
13 continuing to have a devastating impact on our industry and
14 its workforce. The subject countries have established
15 themselves as being able to quickly ship large quantities of
16 wire rod. Turkish producers continue to play hit-and-run in
17 the U.S. market, exporting massive volumes in certain
18 periods, and very little in others, but always surging back
19 when they have a chance to do so.

20 Countries like the UAE and Russia came out of
21 nowhere with significant volume offers and low prices to our
22 customers. Each of the target countries has used low prices
23 to gain and take market share at our industry's expense.

24 When you aggregate the imports, the injury to us
25 is the same: Large volumes of low-priced imports that drive

1 down Keystone's prices and deny us the volume we need to run
2 our mill profitably.

3 Let me stress that when our company loses a sale
4 to subject imports, or takes a smaller share of a customer's
5 needs at a lower price, it is not because the customers
6 prefer quality, delivery, or service associated with the
7 imported product. What the purchasers want are the lower
8 import prices.

9 If the subject producers are not forced to
10 trade fairly, purchasers will resume buying as much
11 low-priced subject imports as they can, forcing Keystone to
12 try to match those prices.

13 With the surge in low-priced subject imports
14 of wire rod, we at Keystone concluded that we had to try to
15 match the import prices we wanted to maintain our business.
16 Although Keystone sells wire rod both pursuant to supply
17 agreements and on the spot basis, our supply agreement sales
18 do not insulate us from lower-priced imports.

19 Let me give you an example. In August of
20 2016, the prices in the U.S. market were so low that our
21 customers with sales agreements said that they would not buy
22 from us unless we offered lower prices available at that
23 time on the spot market. We were forced to cave in and cut
24 our prices despite the sales agreement to keep the customer.

25 I am very concerned about what might happen if

1 we're not granted relief from the subject imports in this
2 case. Given the subject producers maintain significant
3 excess capacity, subject producers will resume targeting the
4 U.S. market with their excess supply if remedial duties are
5 not imposed. Without trade relief, we will once again lose
6 sales volume and market share to the dumped and subsidized
7 subject imports and pricing in the U.S. market will once
8 again deteriorate.

9 Our ability to make a profit and earn an
10 adequate return on our capital investments, as well as
11 making capital improvements to our operation will be
12 significantly undermined. On behalf of my company and all
13 the workers at Keystone, I urge you to not - I urge you not
14 to let this happen and reach an affirmative finding in this
15 case. Thank you.

16 STATEMENT OF HOLLY HART

17 MS. HART: Good morning. My name is Holly
18 Hart, and I'm the legislative director and assistant to the
19 president of the United Steelworkers or USW. The
20 Steelworkers are the largest industrial union in North
21 America, with 1.2 million active and retired members. The
22 Steelworkers have appeared before this Commission numerous
23 times to oppose the unfair trade practices of foreign
24 companies and governments.

25 The crisis in global steel overcapacity has

1 overwhelmed the U.S. steel sector, leading domestic
2 producers to seek relief through the trade laws, just to
3 keep their plants running. As you know, my colleagues and I
4 have testified in numerous cases involving steel and other
5 products, including during the preliminary staff conference,
6 in this case just six months ago.

7 The common thread in each of these cases is
8 the onslaught of dumped and subsidized imports, that has a
9 direct and devastating impact on American manufacturers and
10 their workers. The impact that unfairly traded imports have
11 had on the domestic wire rod industry is no different. The
12 Steelworkers represents or represented over the past three
13 years steelworkers at several wire rod production facilities
14 in the United States. Those mills include ArcelorMittal USA
15 in South Carolina, Gerdau Ameristeel in Texas, Evras North
16 America in Colorado, Cascade Steel in Oregon, Sterling Steel
17 Company in Illinois and Republic Steel in Ohio.

18 I'm back today on behalf of those
19 steelworkers, their families and their communities to urge
20 the Commission to provide trade relief to this industry and
21 to save American manufacturing jobs from the terrible
22 effects of low-priced wire rod imports from the ten subject
23 countries.

24 You've heard today from domestic wire rod
25 producers that the prior successful case against wire rod

1 from China in January of 2015 was filed to address the
2 serious injury China had inflicted. We had high hopes that
3 the anti-dumping and countervailing duty orders on wire rod
4 from China would keep U.S. producers in business and restore
5 the steelworker jobs that had previously been lost to the
6 flood of these low-priced imports.

7 But the new wave of dumped and subsidized wire
8 rod from the ten subject countries that replaced those
9 imports from China has prevented that recovery from
10 occurring. The rush of wire rod imports from the ten
11 subject countries was rapid and damaging to the domestic
12 industry and to the steelworkers that should have
13 benefitted after the China case. The news reports and the
14 record in this case tell a frightening story of what the
15 subject imports have done to this industry.

16 Instead of being able to keep the mill open as
17 we had hoped after the China case, ArcelorMittal USA was
18 forced to permanently close its Georgetown, South Carolina
19 wire rod facility later that year. 226 employees, including
20 many Steelworker members, lost their jobs when Georgetown
21 closed and they received trade adjustment assistance.

22 In 2016, Republic Steel idled its Lorain, Ohio
23 wire rod facility, resulting in about 200 layoffs that also
24 the laid off members qualified for trade adjustment
25 assistance. Also in 2016, Cascade Steel in McMinnville,

1 Oregon permanently laid off 70 employees, including USW
2 steelworkers, which reduced Cascade's workforce by 15
3 percent.

4 These companies have made clear that unfairly
5 traded imports are to blame for these many, many lost jobs.
6 Workers at other wire rod mills have also suffered lost
7 jobs, reduced hours and declining pay as subject imports
8 surged in the past couple of years. Not only are
9 hard-working, highly skilled American steelworkers hurt by
10 these deteriorating conditions, but their families and
11 retirees and entire communities also feel the effects in
12 very real ways.

13 For the U.S. wire rod industry and those jobs
14 that still exist, trade relief is critical. Our
15 steelworkers have sensed a change since this case was filed,
16 had have hoped that things will turn around once the playing
17 field is leveled, as you've also heard from the domestic
18 industry witnesses today. But that hope is entirely
19 dependent on an affirmative determination by the Commission.

20 We're counting on the Commission to provide
21 relief under the law to ensure the future of the wire rod
22 industry in the United States. So on behalf of our union's
23 members who make wire rod and the retirees and communities
24 that depend on them, I urge the Commission to enforce the
25 trade rules and find that unfair imports of wire rod are

1 injuring the U.S. industry and its workers. Thank you very
2 much.

3 MR. ROSENTHAL: Members of the Commission,
4 that concludes our direct presentation. We are prepared to
5 answer questions.

6 CHAIRMAN SCHMIDTLEIN: Okay, thank you very
7 much.

8 MR. ROSENTHAL: I do want to introduce my
9 colleagues, Mr. Luberda and Mr. Hudgens, who will also be
10 available to answer questions.

11 CHAIRMAN SCHMIDTLEIN: Okay, thank you. I'd
12 like to thank all the witnesses for being here today, to
13 help us understand this case and we will begin the questions
14 with the Commissioners with Commissioner Broadbent.

15 COMMISSIONER BROADBENT: Thank you, Madam
16 Chairman. I'm trying to kind of get to your thinking on
17 sort of the relationship of all of these cases as they've
18 come in succession. I think put orders on five countries in
19 2001, and then China was 2015 and we're talking about an
20 additional ten more countries in this case. In the 2015
21 case on China, the Commission reached material injury
22 largely on the basis of market share losses that had
23 occurred.

24 After 2014, imports from China declined to
25 essentially zero and the subject imports gained market

1 share. However, the domestic industry did not lose
2 significant market share over this current Period of
3 Investigation. Given that there wasn't a substantial loss
4 of market share to current subject imports over the period,
5 aren't we really just talking about market share losses that
6 were caused by the imports from China? Mr. Rosenthal.

7 MR. ROSENTHAL: Let me be as blunt as
8 possible. If someone's punching you in the face and that
9 person stops and someone else gets in line and punches you
10 in the face, you're still getting hurt by someone punching
11 you in the face. The fact that imports from China receded
12 and were then substituted by imports from the subject
13 countries does not mean that the domestic industry, who had
14 lost share to the Chinese in the first place, were any
15 better off.

16 They were - the replacement injurers were the
17 subject imports. Just the way, as I mentioned in my summary
18 earlier, the statute looks at the collective hammering
19 effect of imports.

20 When it looks at the concept of cumulation,
21 the sequential hammering effect of imports where one import
22 source who has taken the share from the U.S. industry is
23 replaced by another import source that's taking the share
24 from the domestic industry is just as injurious, and I would
25 argue more injurious because you have extended the time that

1 the market share has been lost.

2 You've extended the time when the sales have
3 gone down and the capacity utilization has been lower than
4 it should be, and you've extended the period of time when
5 profitability is inadequate to invest. So I understand the
6 argument by the Respondents. I just think it's wrong as a
7 matter of fact and a matter of law.

8 COMMISSIONER BROADBENT: Well when you look at
9 the market, when we looked at the market in 2015 and all
10 this unfair trade was going on, why didn't you file the
11 cases then on the ten other countries?

12 MR. ROSENTHAL: The imports from those ten
13 other countries hadn't surged yet, and we were hopeful that
14 they were not going to surge. If you go back and you look
15 at that time period, it was only when the imports began to
16 come in and actually surged to the levels where the Chinese
17 were at that it began or not began, it got worse. You know,
18 there is a -- I know you think I like coming back here all
19 the time and I do, but my clients don't, and they would much
20 prefer to not have to file cases all the time.

21 Unfortunately, and I'll just add, every - the
22 wire rod industry is capital intensive, but it's not as
23 difficult to get into as some other parts of the steel
24 industry. So a lot of countries can make wire rod and ship
25 in here. We don't want to be here every day with a case,

1 and we only come to you when we really feel like there's a
2 strong case, and we waited and waited until we felt we
3 couldn't wait any longer.

4 COMMISSIONER BROADBENT: Okay, and can the
5 increase in the volume of subject imports be explained by
6 purchasers' desire for multiple sources of supply, since a
7 lot of purchasers are facing integrated producers and to be
8 dependent on your competition for the inputs is -

9 MR. ROSENTHAL: I'll let some of the industry
10 witnesses testify on this and others. But I just want to
11 say we've heard that argument before, and the problem with
12 that argument is that the - if it were just a matter of
13 alternative sources of supply, it would be one thing.

14 But what you saw in the questionnaires you
15 received is that the importers are not just saying I want
16 another source of supply; they're coming to the domestic
17 industry and saying if you want to sell to us, you've got to
18 sell at rock bottom prices, sometimes below your cost,
19 because that's the only way you'll get to supply me. So
20 it's not alternative sources; they want the cheapest
21 possible sources wherever they may be.

22 It happens to be that they can get the
23 cheapest product from the subject imports because they're
24 being dumped and subsidized. There's plenty of capacity in
25 the U.S. market to supply almost all of the demands in the

1 marketplace. It's not the alternative supplies and as my -
2 our witnesses will tell you, they don't discriminate amongst
3 their customers. They sell to everybody and at the same
4 prices.

5 MR. PRICE: Alan Price, Wiley Rein. We
6 actually should get to the clients in one second. But this
7 slide actually -

8 MR. BISHOP: Sir, pull your mic a little
9 closer please.

10 MR. PRICE: This slide over here is actually
11 pretty telling. There was a huge volume of imports switched
12 from domestic producers to imports because of price. It
13 wasn't because of, you know, I want multiple sources of
14 supply. It was because I want lower prices.

15 COMMISSIONER BROADBENT: And which year are
16 you talking about?

17 MR. PRICE: Well, this is your data set from
18 this, and the total number in there is confidential in the
19 staff report, but it is a very significant number. I would
20 say it is more -- and as a portion of the size of this
21 market compared to most the other investigations you've had
22 in steel where you have found numbers significant in terms
23 of switches, this is a huge number. It's larger by a margin
24 as a percentage of the market than just about anything else
25 you've seen out there.

1 So you've seen huge shifts. You've seen huge
2 shifts principally to lower-priced imports and principally
3 because of price. So it's not that I want multiple sources
4 of supply. Hey, I would buy from the domestic but I got a
5 cheaper import source from the subject suppliers, and this
6 involved every single one of the subject countries was
7 identified as being - as getting volume because they were
8 underselling in shifts there.

9 COMMISSIONER BROADBENT: But they're basically
10 shifting from buying from China to buying from the subject
11 countries?

12 MR. PRICE: No, this was a shift from buying
13 from the U.S. producers. That's what the questionnaire
14 said, did you shift from buying from U.S. sources to the
15 subject imports?

16 COMMISSIONER BROADBENT: Well, I'm just trying
17 to figure out. You said you just have the data from what
18 you sense is when the shifts went on. When did we start -

19 MR. PRICE: Well, I think the customers -
20 well, the clients should talk to it. But listen, the
21 customers want to buy wire rod, and then they're looking for
22 the cheapest sources and they will shift to the subject
23 imports if they're lower priced versus the domestic
24 industry. That is what they're - that is what this tells
25 you.

1 COMMISSIONER BROADBENT: But how do we know
2 that they went back to the domestic - you understand, then
3 went to the subject imports? I think they just switched
4 from the Chinese sources to the -

5 MR. PRICE: Well, let me say it this way. I
6 think under the statute, it doesn't matter if you are buying
7 from China and then switched. What matters -

8 COMMISSIONER BROADBENT: Well, I don't -
9 yeah. I'm just wondering what happened and what your
10 position is what happened?

11 MR. PRICE: Yeah. What happened is that
12 evaluating whether to buy from the U.S. industry or from
13 subject imports, they switched to subject imports because
14 they were lower priced and that -

15 COMMISSIONER BROADBENT: But the domestic
16 industry never got those sales.

17 MR. PRICE: Those were sales that were
18 identified that they would have gotten.

19 MR. ARMSTRONG: Madam Commissioner, if I can
20 - Chris Armstrong, Keystone.

21 COMMISSIONER BROADBENT: Yes, Mr. Armstrong.

22 MR. ARMSTRONG: If I could just perhaps give
23 some personal experience from Keystone's perspective. As my
24 testimony said, I became chief strategy officer in 2012, and
25 immediately two kind of answers I want to give you which I

1 think address two things I heard. In terms of sales that
2 ever came back to domestic, our rod sales, we are an
3 integrated supplier as well, producer. But our rod sales by
4 far, they're the largest proportion of our sales and we
5 depend on it heavily in order to keep the volume of the
6 plant up, to make it an efficient rod plant, producing
7 plant.

8 We've lost almost over 50 percent of our rod
9 sales and shipments since 2012. In fact, they've
10 accelerated it drastically in the last two, two and a half
11 years. So that's firstly what I see. I see the industry
12 statistics on market share and I even see that going down
13 from the domestic producers.

14 But from a personal perspective, we
15 drastically saw our rod shipments to these customers go
16 away. In fact, we know for a fact that some of the
17 customers which had been the largest customers for Keystone
18 for many, many years, many years, and we were very pleased
19 and proud to supply them, went directly to imports.

20 If they didn't go directly to imports, they
21 directly used the import prices in order to achieve prices
22 that we just simply could not sustain.

23 COMMISSIONER BROADBENT: But when did you see
24 the biggest shift in those purchases?

25 MR. ARMSTRONG: We saw it roughly in - start

1 to occur as I said in 2012. It's accelerated over the last,
2 in 2015 and 2016.

3 COMMISSIONER BROADBENT: Okay, thank you very
4 much.

5 MR. CANOSA: Sorry. Marcelo Canosa with
6 Gerdau. Commissioner Broadbent, just going back to a
7 question about is this a matter of source, having options
8 for the customers. I just want to point out that on the
9 China case or the China Period of Investigation, that was
10 their main source of wire rod and it was because of price.
11 It was not a choice of several sources. So that give you an
12 example that it's not about having multiple sources, it's
13 having the lowest price.

14 COMMISSIONER BROADBENT: But I think the
15 argument is they need an alternative to having to buy from
16 these integrated competitors that they have.

17 MR. CANOSA: We have eight producers in North
18 America that can supply wire rod to them.

19 COMMISSIONER BROADBENT: But they're all
20 integrated, right?

21 MR. CANOSA: No.

22 MR. ARMSTRONG: No, Madam Commissioner.
23 Keystone's probably the most integrated steel producer here.
24 Let me add that we have constantly and always would sell rod
25 directly to the customers, even those that compete with

1 products that we do sell. In fact, we'd prefer to sell to
2 those customers, and our expansion into the integrated
3 market, and I can give you specific examples, was as a
4 result of losing that rod volume.

5 In fact, I can go back to conversations which
6 have facility Respondents and our customers who are here
7 today, back in 2013, to - and the discussion revolved
8 around the fact that if you take your rod purchases
9 elsewhere, I have 1,200 families to look after. I have the
10 responsibility of giving those 1,200 families health care,
11 income, a Christmas this year.

12 And what do you expect me to do with the rod
13 that you don't buy from me? Now that's kind of a - I
14 understood that point. Well, they were getting cheaper
15 prices offered to them from imports, and so they could make
16 higher profits by going and getting those, by buying those
17 cheaper imports. But I expressly stated to them what do you
18 expect me to do with my rod?

19 The answer will be quite simply that I have to
20 integrate and make something out of that rod, and that's
21 indeed the first strategic actions that I took, were to
22 actually go up the quality chain in terms of high carbon,
23 away from the low carbon to the higher carbons. In fact, we
24 do make the 1080 tire bead. We don't make the 1080 tire
25 cord yet, although I tried - I have absolutely looked at

1 and have quotes, and project, full project spec'd out to be
2 able to invest in equipment to make that.

3 But I can't any more afford the investment,
4 the return of investment because of the prices of that
5 material as a result of the imports. Even that small part
6 of the market restricts me from doing so. So I first of all
7 went into trying to make higher grades of steel because
8 those prices are better, and then I went into adding value
9 to the rod because my rod sales were decimated, because they
10 wouldn't take the volume because they went after the import
11 rod. So that is why we've become more and more integrated.

12 COMMISSIONER BROADBENT: So when the Chinese
13 competition stopped as a result of the order, you tried to
14 make sales but those purchasers went to the new subject
15 imports?

16 MR. ARMSTRONG: Correct.

17 MR. ASHBY: Commissioner, Steve Ashby at
18 Keystone as well. If you're looking for a shift, there
19 really -

20 MR. BISHOP: Pull your mic a little closer
21 please.

22 MR. ASHBY: There really wasn't a shift. It
23 went from China to the ten subject countries just like that.
24 There was no opportunity to get back in, although we tried
25 to do that because they wanted to buy low-priced imports.

1 MR. NYSTROM: Commissioner Broadbent, Eric
2 Nystrom with Nucor. Just one point of clarification on
3 vertical integration within certainly Nucor and I believe
4 the rest of the industry. The downstream business that we
5 have on wire rod is very small in terms of tons. We depend
6 on external customers for the vast majority of our sales,
7 and we do on the business that is integrated, it is
8 transacted at a market price.

9 But again, the volumes along internally would
10 be nowhere near enough to sustain a wire rod operation. So
11 all of our customers we depend on for their volume, and the
12 fact that they need, you know, additional sources not the
13 case, but the desire to buy cheap wire rod is -

14 COMMISSIONER BROADBENT: Okay, thank you. My
15 time's way over. Sorry.

16 CHAIRMAN SCHMIDTLEIN: Okay, thank you. Mr.
17 Rosenthal, in the slide presentation you included a slide on
18 - this is about price, and it's Slide 15. You point out
19 that the unit net sales values declined more than unit raw
20 material costs. In the Respondents' briefs, and I think Mr.
21 Cunningham in his opening statement even alluded to this,
22 that when you look at unit COGS, they declined more than the
23 AUVs of the domestic shipments.

24 So can you respond to the argument that when
25 you look at unit COGS, that's what accounts for the decline

1 in price, since you see a greater decline whether you look
2 at the merchant market or the total market in unit COGS?

3 MR. ROSENTHAL: I'll let some of my colleagues
4 add to what I'm about to say, but most of what they had
5 focused on earlier had been what they saw as the raw
6 material, scrap prices as driving prices down. That's been
7 almost the entire focus of their testimony at the prelim and
8 their briefs.

9 Now one of our points is, yes, the total cost of
10 goods sold is more than simply raw materials and we focus on
11 that and that's a big problem. And the fact that we cannot
12 get prices high enough to cover total cost of goods sold is
13 a real problem for us too and that all has to do with
14 pricing competition in the marketplace with subject imports.

15 So our view and the reason why we put this slide
16 in here was simply to rebut their argument that scrap prices
17 explain all the drop in the prices of wire rod in domestic
18 industry sales. But I totally agree with you, total cost of
19 goods sold is really more important and the fact that we
20 can't cover that or have enough of a margin there is
21 probably what the declining profitability is all about, but
22 that all comes down to how much can you get for your wire
23 rod in the marketplace, given the import competition.

24 CHAIRMAN SCHMIDTLEIN: Mr. Price?

25 MR. PRICE: I'm actually going to refer the

1 Commissioners to Table VI-4 in the staff report.

2 MR. BISHOP: You need to talk directly into the
3 mike.

4 MR. PRICE: I'm going to refer the Commissioners
5 too Table VI-4 in the staff report and as you will see from
6 that, which is the same that this chart was drawn from. And
7 when you go to cogs, by the way, commercial sales prices
8 were down \$187 and average cogs were down \$180, so what you
9 see actually is that, again, prices fell more than total
10 cogs, fell more than raw materials. It fell more than total
11 cogs.

12 Now what's the difference between our analysis
13 and their analysis? We dealt wit the real numbers, okay.
14 They're dealing with, well, if you look at a percentage
15 change and you look at this change versus that change, you
16 can say one declined more than the other on a percentage
17 basis, but people don't - you know people earn profit or
18 loss in their businesses are based upon the real numbers.
19 And what you see is that prices declined more than raw
20 material costs and they declined more than total cogs and
21 that's what the actual numbers are.

22 And we were in another investigation where a
23 very well-known economist talked about cruel and unusual
24 things to numbers. I think they get their analysis through
25 that kind of approach here when you do a lot of gymnastics

1 through percentages rather than look at the real numbers.

2 CHAIRMAN SCHMIDTLEIN: Okay, sure.

3 MR. ARMSTRONG: Madam Chairman, if again, I may
4 just add some personal experience and hopefully it'll add
5 some color to it on a couple of points.

6 Personally, it's the customers that try and
7 drive the relationship between scrap and the prices, it's
8 not us. Why would any producer lay out what it considers to
9 be its cost because he's trying to - the objective of a
10 producer is to try and make as much margin, as much profit
11 as possible, so that's the first point. And whenever scrap
12 goes down, it's the customers who come knocking on the door
13 and say, hey, scrap has gone down. You should lower your
14 price.

15 The second point is that, obviously, we have
16 more cost than just scrap and it would be never our
17 intention to give up any margin that we could win just
18 because one of our raw material cost has gone down. That
19 would be insanity. I would not be sitting doing -

20 CHAIRMAN SCHMIDTLEIN: So your contacts aren't
21 tied to what the raw material cost in any way?

22 MR. ARMSTRONG: We have a number of ways of
23 selling steel, some, as a result of the customers coming
24 previously when scrap was at its precipitously worse price
25 - lowest price, they've tied the contracts to scrap or they

1 put the price to scrap. So in terms of us expecting scrap
2 to go back, a small number of our contracts - my sales
3 teams did tie to scrap so that when the scrap went back up
4 we could gain a price increase as a result of that, so
5 there was a base, plus an index on scrap.

6 Interestingly, as Mr. Ashby testified, when the
7 import prices really precipitously crashed those same
8 customers who were tied into those contracts and agreed to
9 unsigned them came to us and gave us an ultimatum,
10 regardless of scrap price. We can get these prices from
11 imports. You either have to give us those prices or we
12 won't order from you and so we have to cave.

13 And the last thing, just a data point, certainly
14 this year, if you look at it, the relationship between scrap
15 and price is not there. In the third quarter, for example,
16 of this year, the scrap that we purchase, which is pretty
17 transparent and market driven, has been flat and our prices
18 have still gone down.

19 CHAIRMAN SCHMIDTLEIN: So speaking of that, in
20 their brief, AWPA says that throughout 2016 and into late
21 2017 that there have been numerous price increases, so can
22 the witnesses talk about those and how have you been able to
23 -.

24 MR. ARMSTRONG: If I may follow up, Madam
25 Chairman, we've put in attempts to price increase

1 announcements. That's absolutely true. And Keystone, in
2 particular, put one in a couple of months ago. Went out
3 there and tried to get a price increase and it was rejected
4 by the market as the previous price announcement. There's a
5 difference between a price increase announcements - and so,
6 in fact, after the first hearing, we tried to put a pressure
7 on prices. In fact, what happened then in the second
8 quarter was the market and the customers ran to imports and
9 imports surged even higher after our first hearing. And
10 then, as we went into the third - so prices were again held
11 down as a result of that import surge after our first
12 hearing.

13 And then, as we went into the third quarter and
14 it became transparent - and particularly transparent with
15 your issue of the preliminary findings that these - this
16 relief on the imports may well occur and will occur in next
17 year. The imports started to dry up, but rather than -
18 that's when we tried to impose a price increase and made
19 price announcements. But rather than being able to get any
20 benefit from that the customers who had put all of those
21 imports - not all of them, but most of those imports and
22 build inventories with them in that surge of imports that
23 happened in Quarter 2, basically, argued with us, well, I
24 don't really need your steel right now, so if you want to
25 sell me steel now - again, we had to keep our plant

1 operating and at a certain utilization level. If you want
2 to sell that to me now, you'd got to give me a good, right
3 price. And that, indeed, again happened in the third
4 quarter and that is why our numbers - and we can go through
5 them, happy to go through this in a post-hearing brief.

6 CHAIRMAN SCHMIDTLEIN: Sure, that would be
7 helpful.

8 MR. ARMSTRONG: You'll see that the scrap price
9 was pretty static in terms of what we were buying in the
10 third quarter and our prices declined. And in fact, I may
11 say we had one of our worst third quarters ever in the
12 history of the company and we rely on our third quarter.
13 We're like a very seasonal business. We rely on our third
14 quarter. That's the quarter that brings in the cash that
15 sees us through winter.

16 CHAIRMAN SCHMIDTLEIN: Okay. Mr. Canosa, did
17 you want to add to that?

18 MR. CANOSA: Yes, I just want add, Marcelo
19 Canosa with Gerdau, because of the low priced imports in the
20 market, it's like people would say that we fluctuate price
21 announcements and price changed with scrap. We're actually
22 chasing the low price imports of the subject countries.
23 That's what makes our price go down throughout the period of
24 investigation, not scrap.

25 MR. ASHBY: Chairman Schmidtlein, so to give you

1 an example, I talked about that in my testimony. We do have
2 some sales agreements and we had sales agreements with our
3 customers and we were told in August of last year we had to
4 go back and basically reduce our base price. And the base
5 price reduction was simply because of low-priced imports, so
6 you can see how that would occur; otherwise, we wouldn't
7 have any - we'd have to take time off at the mill.

8 MR. ROSENTHAL: Just to follow, Chairman
9 Schmidtlein, if you go to Slide 16, which is confidential,
10 one of the points we've tried to emphasize, despite the
11 thick stack of price increase announcements that AWPA and
12 others have referred to, most of those did not stick and
13 it's only been in this year after the filing of the cases
14 that they've been any price increases that have stuck, that
15 have benefited domestic industry. Pricing is still on these
16 subject products that you've looked at well below where they
17 were at the beginning of the period of investigation.

18 CHAIRMAN SCHMIDTLEIN: So I'm just curious,
19 given that demand was not going up during this time, why
20 would you think you could push through a price increase?

21 MR. ROSENTHAL: I'll tell you because of these
22 cases and the imports beginning to decline there was hope
23 that there would be - and also raw material costs were
24 going up everyone felt that there was - this is an
25 opportunity - not every one. As raw material prices were

1 going up and the case was file there was a hope that they'd
2 be able to get some margins finally.

3 CHAIRMAN SCHMIDTLEIN: Even in 2016.

4 MR. ROSEHNTHAL: 2016 was all scrap increase
5 driven, as far as I can tell in terms of the attempts to get
6 price increases.

7 MR. NYSTROM: Ms. Chairwoman, if I could just
8 please add to - you know just to support the fact that
9 scrap is a big component of our cost, but wire rod is purely
10 sold on price and that's determined by supply and demand.
11 And as scrap prices go up, we're already under tremendous
12 margin pressures. We have to do everything we can to try to
13 raise that price. Our operating margins have been really
14 pathetic, so I just want to make sure that we all just
15 continue to recognize that if scrap falls it's not our
16 desire to just drop price with scrap. We try every day to
17 grow margin, but that's driven by this over abundance of
18 supply of very cheap imports and we're forced to match it
19 because the one thing you can't do as a steel mill is lose
20 volume or capital-intensive business. So you know we're
21 forced to lower prices to maintain volume and likewise, when
22 scrap goes up, yes, we raise prices, but just because we
23 announce it in no way, shape, or form does that mean we
24 capture what we announce. We claw and scratch for every
25 dollar we can.

1 CHAIRMAN SCHMIDTLEIN: Okay. Alright, I
2 appreciate it. Thank you. Vice-Chairman Johanson.

3 VICE CHAIRMAN JOHANSON: Thank you, Chairman
4 Schmidtlein. And I would like to begin by thanking all of
5 you for appearing here today.

6 Petitioners state that the closure of the Achler
7 Middle Plant in Georgetown, South Carolina and the Republic
8 Steel Facility in Lorraine, Ohio demonstrate injury to the
9 domestic industry.

10 Respondents take the position that factors other
11 than subject imports explain the closure of the plant in
12 Georgetown, South Carolina. For example, at page 19 of
13 their brief, Turkish Respondents contend that this facility
14 was built in 1969 and was an aged, outdated facility with
15 high energy and operating costs. How do you respond to
16 these allegations and other factors that Respondents have
17 identified, including reports of silt buildup that
18 prevented certain raw materials from being imported into the
19 port near the facility and Nucor's construction of a
20 state-of-the-art rod mill nearby. And for further
21 reference, you might want to look at page 10 of the British
22 Steel brief and pages 23 to 25 of the American Wire
23 Producers Association brief.

24 MR. ROSENTHAL: Commissioner Johanson, in my
25 summary I tried to address those allegations the best I can.

1 And I will say we're not saying that silt did not build up
2 in the bay leading into the Georgetown facility. That
3 clearly has been an issue for them, but a 600,000 ton
4 increase from China first and then 700,000-ton increase of
5 subject imports were clearly contributing factors to that
6 closure.

7 You can afford lots of issues if your
8 profitability is not dropping like a rock as you saw in that
9 previous slide. And all I can tell you is the
10 contemporaneous statements by those companies when they
11 closed their mills attributed at least part of the reason
12 for the closure to the low-priced imports with which they
13 could not compete. You can look at the slide again for
14 their quotes. This is them saying it contemporaneously and
15 not the Petitioners in this case. That's what they said as
16 the reason. And as Ms. Hart testified, they did qualify for
17 trade adjustment assistance, so at least, there's a partial
18 attribution to imports.

19 I will say one last thing. The law does not
20 only protect the most efficient producers. It takes the
21 victims, as you well, as they find them just like in Tort
22 law. And what happens when you have low-priced imports from
23 countries who are not any more efficient is that maybe the
24 least efficient producer in the U.S. goes out of business
25 sooner than they could have or should have, but had those

1 low-priced imports not been in the marketplace maybe they
2 could've survived the other problems that they've got and
3 this industry and every other industry is entitled to relief
4 from unfair trade practices. Even if you're inefficient,
5 you could still stay in business if you don't have to fight
6 countries and companies who have protected home markets or
7 being subsidized by their governments and who may be no more
8 efficient than you.

9 So I understand the arguments by the other side.
10 As a factual matter, they're not correct, as you can see
11 from these statements, but as, I would argue, legal matter
12 and philosophical matter; even the most inefficient plants
13 deserve to stay in business if they're competing against
14 unfairly traded imports.

15 VICE CHAIRMAN JOHANSON: Thank you, Mr.
16 Rosenthal. Mr. Nystrom?

17 MR. NYSTROM: Yes, thanks. And just a couple of
18 comments, if you look back to the 2011 timeframe, the import
19 penetration wasn't nearly the same and as high as what it
20 became in 2012, '13, '14, '15, and so on. And when you look
21 at what that translates to in terms of just pure tonnage,
22 it's really been the large amount of imports that have
23 gained share and really the amount of those imports fair
24 exceeds the amount of volume that the Georgetown mill was
25 doing. And when you look at the time period where the

1 overall industry really remained flat, so it for sure was
2 import driven as far as the difficulties they had.

3 The other thing I'll point out is that steel
4 mills do require a lot of maintenance. Our infrastructure
5 requires a lot of maintenance and you know years of neglect
6 can allow your infrastructure to deteriorate, but if you're
7 making a little bit of money you can keep reinvesting. You
8 can be dredging that along the way, but if every year you
9 know you're not making any money, not getting a fair return
10 because of cheap and dumped imports, it's pretty tough and
11 eventually you get forced into a situation like that where
12 you have an issue with your port.

13 VICE CHAIRMAN JOHANSON: One quick question,
14 when did you make the investment decision in the mill?

15 MR. NYSTROM: Yes, just going back to the
16 Darlington facility, when we started looking at that
17 facility in 2011, that's really when the announcement came
18 out, so we started looking at it even prior to that. And
19 again, just for the context, we were kind of thinking at
20 that point in time manufacturing is going to be growing. You
21 know we were pretty optimistic and then of course that's
22 when the Chinese imports really surged in and remedy came
23 from the Chinese imports and it was just back-to-back with
24 another surge of imports. So you know going back, we really
25 were pretty optimistic in what we were seeing back around

1 2011, but yeah, it's really been a tremendous surge and
2 deteriorating market ever since.

3 MR. PRICE: Just going back to some factual
4 matters here and we'll address it more in our post-hearing
5 brief, age of steel plants if you're investing there are
6 some very old steel plants, including many of the
7 Respondents own plants. If you look at some of those plants
8 - like some of those British Steel plants they're really
9 old. If you look at some of the plants -- the Darlington
10 plant, while the rod block is new on it, actually started
11 production in 1969. It happens to be the same time of the
12 Georgetown Plant. The Beaumont plant started production in
13 around that same period of time.

14 If you can invest and reinvest - it's not when
15 you start the plant. There are U.S. Steel flat rolled
16 plants that started you know more than a hundred years ago,
17 as there are British Steel plants that started more than a
18 hundred years ago, so it's not the age.

19 Secondly, there's a lot of intention in those
20 briefs to DRI and DRI you know they confuse a lot of
21 different things and we'll go through the history of some of
22 this stuff. The Georgetown DRI module was shut down like
23 more than a decade before any of this period, so it has
24 nothing to do with that. Georgetown, based upon our
25 discussions with folks in the industry, you know these DRI

1 on certain select products, but they made a lot of products
2 that were scrap-based, standard products. You see you know
3 those types of products coming from countries like the
4 Ukraine today, so there's a lot of misinformation in the way
5 they've sort of tried to select and put those facts
6 together. We'll address it, but it's not the age of the
7 plant. I agree with Mr. Rosenthal entirely that you know
8 any plant is entitled to protection from dumped and
9 subsidized imports and there can be several factors that are
10 out there that affect these plants and why they go out of
11 business, but there's no question that the surge in dumped
12 and subsidized imports and the seizure of market share and
13 the poor profitability had an affect.

14 Conversely, you know there are many cases - I
15 would say in the late 1990s - let me stop and say Mr.
16 Cunningham, by the way, has a history of sort of saying, if
17 you take this plant out and you do this with it all of a
18 sudden the industry looks profitable. Conversely, when you
19 look at some of these cases back in the late 1990s and early
20 2000s, the Commission looked at it differently and they
21 said, well, you know you're seeing some bump up in
22 profitability in the most recent period and that's survivor
23 bias, okay, that you know we're actually statistically
24 things look a little better because some people went out of
25 business. So I can argue you can take this out or you

1 should keep this in. There's bias one way; there's bias
2 another way. The key is take the industry as a whole -
3 that's what the Commission always does - the industry as a
4 whole as showing material injury. Clearly, imports
5 contributed to the exits of - subject imports contributed
6 to those exits. That's harm. And you should look at the
7 industry as a whole, just as the Commission traditionally
8 does.

9 VICE CHAIRMAN JOHANSON: Yes, Ms. Hart?

10 MS. HART: Yes, Holly Hart with the Steel
11 Workers. I just wanted to add, of course, that the workers
12 did certify for trade adjustment assistance. So workers
13 were injured in the shutdown of the Georgetown plant.
14 Whether it was old or not.

15 VICE CHAIRMAN JOHANSON: Thank you, Ms. Hart.
16 And thanks to the other folks who answered my questions. My
17 time is about to expire, so I'm gonna end there.

18 CHAIRMAN SCHMIDTLEIN: Commissioner Williamson.

19 COMMISSIONER WILLIAMSON: Thank you. I wanna
20 express my appreciation to all the witnesses for coming
21 today. Ms. Hart, I might continue with you. We've talked
22 about the problems the domestic industry's had in
23 re-investing and the situation.

24 I was just wondering, what has been the case of
25 investing in the workers, how - have there been - aware of

1 any changes in their ability to, you know, make
2 technological changes to stay competitive in this industry?

3 MS. HART: Well, to be honest -

4 COMMISSIONER WILLIAMSON: - anybody else -

5 MS. HART: I'm sorry?

6 COMMISSIONER WILLIAMSON: Go ahead.

7 MS. HART: Okay. Holly Hart from the Steel
8 Workers. To be honest, I don't know the conditions or the
9 agreements at the specific plants here, where we represent
10 workers, but I know as a union, we always do encourage, you
11 know, continual skills upgrades and - you know, but I can't
12 speak to any formal programs at the producers that are here
13 at the table or at the facilities where we represent
14 members. I could certainly try to find out though.

15 COMMISSIONER WILLIAMSON: Does anybody else
16 wanna comment on this? I'm just trying to think about the
17 competitiveness of the industry.

18 MR. CANOSA: Marcelo Canosa. We provide a lot
19 of training to our workers at every mill that we operate in
20 North America. And I can say that our workers are the most
21 skilled workers that we have, and we can compete with
22 anybody based on the labor force that we have.

23 MR. ARMSTRONG: Chris Armstrong, Keystone.
24 Commissioner, what I can say on behalf of Keystone is, we
25 work very closely with our union and representation and we

1 inform them completely of the investments in the plant, and
2 they're very interested in that.

3 And in fact, they themselves, particularly with
4 our company, have voted to not have any pay increases for
5 the last three years, in order for us to invest in
6 improvements in the plant, in terms of equipment, to be able
7 to particularly utilize more rod, because of the lack of rod
8 sales that was occurring as a result of the import attack.
9 And they have done that.

10 And we work with them on that, and we
11 continually have the equipment manufacturers, steel mill
12 experts come through our mill and we do so with pride, and
13 they can talk to the union membership and do so on a regular
14 basis. And to audit the plant to see what we can do and
15 what it would cost to do, to make the plant ever more
16 efficient.

17 What I can say is, as I indicated in previous
18 testimony, for example, there are products that we would
19 like to make and we know how much it would cost to invest in
20 the equipment so that our union members could make them, and
21 because of the import prices, we can't afford -

22 It's not just a simple return on investment,
23 Commissioner. It's actually, we don't have the cash to
24 invest in them. Because the import prices, of those, attack
25 the margins on what we do sell so viciously, and also in

1 many of those cases, negative margins, and also taking the
2 volume away from those. And again, some of our investments
3 in terms of our integrated mill, are purely to keep-and I'm
4 very proud of this-keep those families in employment, and
5 keep those incomes and keep those benefits coming to them.

6 And we have not, despite the attack on the rod
7 market by the import prices, we have been able to maintain
8 our work force and not lay people off, and that is because
9 we have managed to find, at our own investment, other things
10 to do with the rod and integrate. And that is the only
11 strategic action we could take.

12 COMMISSIONER WILLIAMSON: Thank you. I was just
13 wondering, how useful is the data in Table 6-3 for our
14 analysis, given the fact that ArcelorMittal's data is not in
15 the data set after 2015 and Republic is not in there at all.

16 MS. CANNON: Kathy Cannon. We have presented in
17 our brief in confidence an analysis of that. I don't think
18 we can address it publicly, but it is in our prehearing
19 brief where we've analyzed what happened. This relates a
20 bit to the survivor bias point that Mr. Price was making
21 earlier, when you take ArcelorMittal out, just so that you
22 can see what the effect is.

23 But having said that, it is our position legally
24 that you should be looking at the industry as a whole, that
25 the Commission should be considering exactly what happened

1 to the industry overall and not taking the argument that Mr.
2 Cunningham proposed where you don't look at your C-Table and
3 you don't look at the market shares of the industry as
4 they're actually presented and instead, you exclude two
5 companies that have closed.

6 There's no basis for doing that. So once you
7 look at everything overall, you see, even taking into
8 account what happened with the ArcelorMittal decline in the
9 financial condition of the industry and a decline in the
10 market share of the industry over the period, not an
11 increase.

12 COMMISSIONER WILLIAMSON: Okay. Thank you. Let
13 me turn to wire rod for tire cord and bead. Can other
14 grades below 1080 be used for tire cord and tire bead?

15 MR. NYSTROM: Eric Nystrom, Nucor. Yes, there
16 are a couple of grades that are less than 1080 that are used
17 for tire bead and presumably, you can make cord as well.
18 I'm not sure to the extent of volume, how much is used
19 that's less than 1080. But yes, there is a continuum of
20 grades, even within tire cord, that are used to make bead
21 and cord.

22 COMMISSIONER WILLIAMSON: Does anybody have any
23 idea of what share of the - what is their relative share?
24 And it's something that might be addressed post-hearing?

25 MR. ROSENTHAL: We'll do our best to address

1 that in our post-hearing brief. You will have
2 representatives of the tire industry here later and maybe,
3 at least, that one person could answer that directly.

4 COMMISSIONER WILLIAMSON: Okay. And I noticed
5 you made -

6 MR. ROSENTHAL: I'm sorry. That - I didn't
7 think that was the question you asked. I thought you meant
8 the other grades, other than 1080, that go into tire.

9 COMMISSIONER WILLIAMSON: Right. That's the
10 issue I was questioning. How significant is that?

11 MR. PRICE: Commissioner Williamson, there
12 clearly is production below 1080 for the tire reinforcement
13 applications. And again, when you go to this continuum
14 question, it's all part of the continuum that's out there,
15 and so, again, there is production, the exact percentages I
16 think are issues to, you know, are not collected in this
17 data set.

18 COMMISSIONER WILLIAMSON: Okay. What uses
19 determine the grade of tire or bead? And is there any
20 production equipment adjustments needed to make tire cord
21 and tire bead wire rod? And if you wanna hit that
22 post-hearing, I'll accept that, too.

23 MR. NYSTROM: Eric Nystrom, Nucor. The only
24 comment I would say is, from the wire rod producers'
25 standpoint, tire bead and tire cord are made on the same

1 equipment. It's the same type of rolling mill, same type of
2 melt shops. It can be EAF, it can be a BOF shop, so it's
3 just a different product among many products that we make
4 that are wire rod.

5 It could be bearing quality, aircraft quality,
6 you know, it's like, like was mentioned, it's really a
7 continuum of variety of wire rod products all made on the
8 same general equipment, so the differences between the bead
9 and the cord, I'm not the expert on the comment there.

10 COMMISSIONER WILLIAMSON: Okay. I was
11 wondering, do difference between the EAF and BOF production
12 processes impact the requirements that in - by end users.
13 In other words, do your end users say, you gotta make it by
14 this process or by that process?

15 MR. NYSTROM: Eric Nystrom, Nucor. Not to my
16 knowledge. Really, what you're looking for is a specific
17 cleanliness level, specific chemistry control. You can
18 arrive at that so long as you use high levels of pig iron,
19 direct reduced iron or other purer iron units.

20 And so that can be done using an EAF process
21 where you use a lot of DRI. Or that can be done using a
22 basic oxygen process, a BOF furnace, which uses a lot of pig
23 iron that would come from a blast furnace.

24 So in either case, you're getting high-quality
25 iron units that are used to make a very clean and homogenous

1 pure steel.

2 MR. PRICE: Alan Price. Let me just add. So a
3 lot of the discussion is, it's BOF is the key. It's
4 actually clean iron units are the key. It's not the BOF.
5 It's that BOFs are typically fed with blast furnaces that
6 have pig iron in it. You have EAFs that are fed with pig
7 iron or DRI or HBI to achieve the exact same results. And
8 actually the record shows that that's actually happening.

9 We just illustrated one - and you'll see we
10 traded off between EAF and BOF production. It's not that.
11 It's just clean iron units and there are plenty of clean
12 iron units available throughout the world that you can meet
13 and in the United States. And all of those types of iron
14 units are used in the steel production process.

15 COMMISSIONER WILLIAMSON: Okay, good. Thank you
16 for those answers.

17 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

18 COMMISSIONER BROADBENT: Thank you. I had a
19 question on demand for Mr. Hudgens, the economist. Is he
20 here? Oh, you're running the show? Are you testifying?

21 MR. HUDGENS: Sure.

22 COMMISSIONER BROADBENT: Okay, great. The
23 American Wire Producers Association asserts that consumption
24 of wire rod has considerably declined due to the multiple
25 trade actions opposed on imported wire rod. Do you agree

1 that wire rod consumption is considerably down compared to
2 the early 2000s?

3 MR. HUDGENS: The record shows that the demand
4 is down 4.4%, so it's down slightly.

5 COMMISSIONER BROADBENT: Okay.

6 MR. HUDGENS: But during that same period, the
7 subject imports increased over 56% and during that same
8 period, the domestic industry was forced to reduce their
9 shipments by more than demand, by over 6%, so the record
10 shows that imports increased despite a slight decline in
11 demand. And captured market share from U.S. producers even
12 as demand declined.

13 COMMISSIONER BROADBENT: Does that account for
14 the decline in the Chinese imports and - I'm just trying to
15 figure out what's going on with the domestic industry in the
16 face of decline in Chinese imports and increase in subject
17 imports.

18 MR. HUDGENS: Over the six-year period?

19 COMMISSIONER BROADBENT: Over the period of
20 investigation.

21 MR. HUDGENS: So the subject imports actually
22 captured additional market share over what was originally
23 held by Chinese imports.

24 COMMISSIONER BROADBENT: Right.

25 MR. HUDGENS: So they did capture market share

1 in addition to the imports from China, and from U.S. - the
2 record shows that U.S. producers lost market share, in
3 addition to what they held in the China case. So the market
4 share has steadily declined since the record of the Chinese
5 case. And I'll show you a slide on that, just a sec -

6 COMMISSIONER BROADBENT: But not by a lot,
7 right?

8 MR. HUDGENS: But it continued to decline from
9 already very low levels, after already being decimated by
10 imports from China, it continued to decline. So you're
11 already in a three-year period of injury.

12 The Commission found that the industry was
13 experiencing injury and then, in addition to that, you've
14 lost market share and your profit levels have continued to
15 decline. So you've lost market share and you've also had
16 financial deterioration over the period in which the
17 Commission found injury in 2013.

18 COMMISSIONER BROADBENT: And how much did
19 consumption decline over the period of investigation, and
20 what impact did that have?

21 MR. HUDGENS: Well, the consumption declined by
22 4%. But the subject imports continued to surge during that
23 period, so - and U.S. producers lost - their shipments
24 declined more than the decline in consumption. So during
25 that period, imports were capturing market share that was

1 not related to any decline in demand.

2 COMMISSIONER BROADBENT: Okay. This'll probably
3 be for an industry witness, I guess. Wiley Rein has
4 primarily produced an order on Page 2-12 of the prehearing
5 report, it states that U.S. producers' lead times averaged
6 28 days, whereas importers' lead times average 101 days,
7 which to me, is a pretty stark difference. Delivery time
8 was considered very important by a plurality of purchasers
9 as shown on Page 2-15. How do lead times affect the
10 substitutability between imports and the domestic product?

11 MR. ROSENTHAL: Not at all apparently. If you
12 go back to look at the slides earlier, all these purchasers
13 said, A) We decided we're going to shift from buying from
14 domestics to import sources because of lower price.
15 Apparently lead times were not a problem from their point of
16 view because they did that. And whatever pricing was
17 available to them made the imports more attractive, despite
18 lead times.

19 Same thing, you know, lead times didn't stop the
20 purchasers in the slide we showed you, I think it's Slide
21 12, from saying that they decided that they would insist
22 that U.S. wire rod suppliers lower their price by 5% to 15%.
23 If they had a lead time disadvantage, one wonders why they
24 insisted on lower prices from domestic producers. So bottom
25 line is, lead times are not a big factor in this industry.

1 What really matters, and you consistently found this as
2 Commission, is low price.

3 And I do want to just amplify, on one question
4 that you asked earlier, Commissioner Broadbent, the
5 importers and the customers are constantly seeking the
6 lowest price, whether it's from the subject imports, from
7 the Chinese, from the domestic industry. There's a constant
8 interchange. Mr. Ashby mentioned, yeah, we didn't really
9 have a chance to go after the sales because everyone wanted
10 low prices.

11 Well, it wasn't like we didn't try, and they
12 didn't bid on these, but it became very clear, that when the
13 Chinese exited, the subject imports were as low-priced as
14 the Chinese and if we couldn't get the sales when the
15 Chinese were here, we weren't gonna get them when the
16 subject imports were as low-priced as they.

17 So, I know it's beyond what you asked in this
18 latest question, but it's important to have this context
19 that lead times, all these other issues that the respondents
20 allege, have very little to do with who gets the sale. It
21 is who's got the lowest price.

22 MR. NYSTROM: Commissioner Broadbent, if I could
23 add to that as well. In terms of lead time, it's important
24 to keep in mind, these products that are consumed, they're
25 very predictable in terms of grades. Things aren't just

1 rapidly changing where you don't know what you're gonna need
2 in two, three, four months down the road.

3 So, the importance of a quick lead time because
4 something is rapidly changing, that's not really the case.
5 It's really pretty easy to place large orders of a known
6 item that will be consumed throughout the year. So that
7 importance of a short lead time's greatly diminished.

8 MR. CANOSA: Marcelo Canosa, Gerdau. I just
9 wanna add to the question on the lead time. When those
10 imports come here every month and the customers buy it
11 consistently every month, lead time is not a factor in that
12 case.

13 MR. ASHBY: Steve Ashby at Keystone. So just to
14 add to that, to give you some perspective, it's almost
15 upside-down. The rod consumers can plan well in advance,
16 and by planning all in advance, maybe they're out two or
17 three months to get imports into the country. In doing so,
18 that automatically lowers the price two or three months out
19 for the domestic industry.

20 COMMISSIONER BROADBENT: Okay. Hang on one
21 second. This is a question on impact. To what extent can
22 we interpret changes in the industry's capacity and
23 production data over the POI as just a period of
24 consolidation, as opposed to injury? I note that the
25 closure of the Georgetown mill was right around the same

1 time as the Nucor's Darlington mill was started up.

2 And at some level, we need to get a sense of how
3 you distinguish between consolidation, which has to occur in
4 any industry, and then the effect of the imports.

5 MS. CANNON: Kathy Cannon. I think if you were
6 seeing, Commissioner Broadbent, a company that had a couple
7 of facilities and one was old and they were trying to
8 consolidate it into another one, that that's sort of going
9 to the point that might suggest there was just some
10 efficiency gained by them.

11 But here, the facts are that you have two
12 companies that basically stopped producing this product
13 altogether, and then they did, they cited subject imports as
14 being part of the reason for those closures, and so that was
15 very directly correlated, in terms of the impact of the
16 imports here.

17 It wasn't an attempt by them to consolidate with
18 anything else. It really was an effort by the industry
19 overall to consolidate. It was a direct reflection of what
20 they were feeling. And it wasn't also in reaction to a
21 particularly huge demand change. There was a small demand
22 change, so it wasn't shrinking because there just wasn't
23 demand. It was that the subject import surge of 700,000
24 tons pushed them out.

25 COMMISSIONER BROADBENT: - I happened to see

1 some article that that plan in Georgetown was up river of a
2 big silt barrier that the Corps of Engineers decided not to
3 dredge, so they couldn't get any of their import product.

4 MS. CANNON: Yes, and -

5 COMMISSIONER BROADBENT: I mean, their input
6 product, excuse me.

7 MS. CANNON: Right and the respondents have a
8 lot of some of those points in the brief. And as Mr.
9 Rosenthal said earlier, we're not suggesting that there may
10 not have been other factors that contributed to those
11 closures, but that isn't the statutory test. The statute
12 asks whether the subject imports were a cause of the injury.
13 And they were a cause of the injury according to the
14 specific contemporaneous statements of the companies
15 themselves and as reflected in the trade adjustment
16 assistance filings by the company, citing the imports as
17 affecting those closures.

18 COMMISSIONER BROADBENT: Okay, thank you.

19 MR. ROSENTHAL: Commissioner Broadbent, it
20 really is important to note Georgetown went out. And it
21 wasn't like as Kathy said, there's some decision to become
22 more efficient by doing that. They exited the industry all
23 together, even though there was plenty of demand out in the
24 market place.

25 If they had been more profitable, they could

1 have afforded to have done this dredging themselves. They
2 could have afforded to be making improvements in their
3 facility. So this was not as - as mentioned, a
4 consolidation to achieve efficiency. This was an
5 involuntary exit from the industry in part, at least,
6 caused by imports.

7 You can't look at those - that slide about
8 profitability declining from 2011 to this period and not
9 understand that if you're at Arthur and Middle in 2015, and
10 your profits, which might be worse than those on the slide,
11 and say am I going to stay in and fight imports any further
12 when I'm losing money? That was not a consolidation in
13 order to gain efficiency. That was I'm getting killed and I
14 got to get out.

15 COMMISSIONER BROADBENT: Okay, for the record,
16 could someone just put on the record how much it would cost
17 to do that dredging and whether it was really possible for
18 Georgetown to do it itself, how much investment it would
19 need?

20 MR. ROSENTHAL: Well, as it wouldn't - if they
21 did it all at once at the end of this period, it would be
22 much more money than if they had the money periodically and
23 could have done it over the course of seven years, but we
24 can certainly get to that.

25 COMMISSIONER BROADBENT: Okay, thank you.

1 Woops. So I'd like to go back to the like product argument
2 with regard to 1080 tire cord and tire bead. So it's my
3 understanding that in 2002, there was a scope exclusion in
4 the wire rod case for this product and that in 2014, it was
5 not excluded, but I don't believe anyone raised a like
6 product argument in that case. So my question is what has
7 changed since 2002?

8 MR. ROSENTHAL: At the time of the 2002 cases,
9 some of the respondents came to the domestic industry and
10 said we, you know, we're - not contest with respect to the
11 like product. We recognize 1080 tire cord and bead as part
12 of the like product. They mean - I say that they said not
13 contest, but effectively, you would decide it as a
14 Commission that it was part of the same like product as had
15 been decided before then and since.

16 But as an accommodation to certain customers,
17 the domestic industry said we'll give you an exemption, but
18 the part of the idea here is a scope exclusion, but we want
19 to work with you to try to develop this product, so we can
20 make it for you in the future.

21 And that's really the rationale behind this.
22 What happened was to the domestic industry's dismay, once
23 that exclusion was granted, and a lot of low priced 1080
24 tire cord and bead continued to come into the country, there
25 really wasn't an incentive by the customers to work with the

1 domestic producers. They could get the cheap tire cord and
2 bead product. And so, why give contracts or work with the
3 domestic producers to develop that 1080 tire cord product,
4 in particular? They make 1080 bead. It's a tire cord,
5 which is the next step.

6 And so, when another set of cases were about to
7 be - and by the way, there are other sources. Japan makes
8 1080. Germany makes 1080 tire cord and bead. Neither have
9 been the subject of these cases in the last 15 years or so.
10 So when the case was going to be brought against China and
11 this one, the question is should we grant exclusions? And
12 the answer is no, we want to make this product. And -

13 COMMISSIONER BROADBENT: So were they making it
14 and was the domestic industry making it in 2002?

15 MR. ROSENTHAL: The - there are domestic
16 producers who can make 1080 tire cord and bead and there -

17 COMMISSIONER BROADBENT: Currently? Right.

18 MR. ROSENTHAL: - and Georgetown was actually
19 in one of those companies that was trying to develop that
20 product. There's another company in the industry that is
21 making that product. The biggest - the company sitting
22 here would like to make that product. They make 1080 bead
23 -

24 COMMISSIONER BROADBENT: Uh-huh.

25 MR. ROSENTHAL: - as far as I know. They don't

1 make the tire cord. And the question is can they justify
2 the investment, the additional investment to make the 1080
3 tire cord? And the concern has been if you grant an
4 exemption, you'll never get a customer to work with you
5 because they can get the cheap product. Even though you
6 want to - we want to make it, we won't have an economic
7 incentive by the customers to buy it. That - it's as
8 simple problem. It's not like this is rocket science, if
9 you will. It's not that hard - I mean, it's harder to make
10 than the 1080 bead, but it's all a matter of economics. If
11 you can't get the price, you can't justify the investment to
12 make this 1080 cord on a commercial level.

13 COMMISSIONER BROADBENT: So we did collect
14 separate data for tire cord and bead. If we were to find a
15 separate like product, do you think the record is there to
16 go affirmative on it, given the non-subject in the market?

17 MR. ROSENTHAL: Could you repeat that question,
18 please?

19 COMMISSIONER BROADBENT: If we were to split the
20 products and find that there is a separate like product for
21 tire cord and bead, based on the data that we collected, and
22 the fact that non-subject gained market share in that
23 market, U.S. lost, but so did subject, do you think the
24 record would support an affirmative determination if we were
25 to find separate like products?

1 MR. ROSENTHAL: I'll have to go back and look at
2 that data again. I will just say that one of the parts of
3 that hypothetical for me, which is hard to accept, is the
4 assumption that you would make a finding of a separate like
5 product, because there's no factual or legal justification
6 for it.

7 So once I get my mind around that hypothetical,
8 I will do my best to answer your - in the post-hearing
9 brief.

10 COMMISSIONER BROADBENT: You could cogitate on
11 that. Maybe Mr. Price, do you have any view of whether or
12 not the record would support an affirmative?

13 MR. PRICE: I agree with Mr. Rosenthal that -

14 COMMISSIONER BROADBENT: Your microphone's not
15 on I take.

16 MR. PRICE: I agree with Mr. Rosenthal that it's
17 a single like product in a continuum and we'll address it in
18 the post-hearing brief, but I believe it would be an
19 affirmative determination.

20 A lot of the data to get to talk about is
21 confidential in this portion of the reports, which really
22 difficult to discuss in the context of a public hearing.

23 COMMISSIONER BROADBENT: Okay, all right. Well,
24 you can answer it in the post-hearing. Can you respond to
25 the argument from the respondents that the specifications

1 have become more stringent for this over time?

2 MR. PRICE: Again, the detailed specifications,
3 I'm actually going to - are often proprietary and probably
4 better off for a discussion in the post-hearing brief,
5 because those involve, you know, information that's really
6 not in the public domain.

7 COMMISSIONER BROADBENT: Okay. So you can't
8 even say whether or not you agree with that?

9 MR. PRICE: I think that the specifications - I
10 would say I generally don't agree that the specifications
11 are - draw any bright line difference at 1080 tire cord
12 versus for example a 1070 product. So I'll say it along
13 those ways, there are, but again, these are proprietary
14 issues that really can't be discussed in the context of a
15 public hearing.

16 COMMISSIONER BROADBENT: Okay.

17 MR. ARMSTRONG: Madam Chairman, Chris Armstrong,
18 Keystone. All of this legal language kind of gets above my
19 head, but I'd just like to make the point that these are
20 good technical, sophisticated products that we would like to
21 make and we have looked at making. Our employees would
22 benefit from having the skill and the experience of making
23 them. And to exclude them and to allow the imports or to
24 attack the prices and flood the market on this small part of
25 the market would just restrict us from doing that

1 completely.

2 And we, as an industry, then an American
3 industry, we would be left to focus on the - to use an
4 extreme example, the lower end of the market, the -

5 UNIDENTIFIED SPEAKER: Right.

6 MR. ARMSTRONG: The low carbon rods and that's
7 just not where I want to go up the scale. I want to go up
8 the margin. I want to go up that price.

9 COMMISSIONER BROADBENT: So are there -

10 MP: I -

11 COMMISSIONER BROADBENT: Oh, I'm sorry.

12 MP: Let me just come back to -

13 COMMISSIONER BROADBENT: Oh.

14 MP: - this is Alan Price, again, I'm sorry.

15 COMMISSIONER BROADBENT: Yeah, I was looking for
16 who's talking, yeah.

17 MP: Yeah, sorry. I apologize here. I agree
18 that, you know, there's a lot of discussion of like product.
19 The Commission has considered this numerous times. And if
20 you look through all of the like product factors, it is a
21 single - it is a single like product.

22 I don't think anything has changed. I don't
23 think any of this record has changed in any significant
24 manner. And -

25 COMMISSIONER BROADBENT: You mean from the

1 prelim?

2 MP: From the prelim or from prior
3 investigations. And -

4 COMMISSIONER BROADBENT: Well, it wasn't argued
5 in prior cases.

6 MP: Actually, it was.

7 COMMISSIONER BROADBENT: Was it? Was it?

8 MP: There was a different argument in the China
9 case -

10 COMMISSIONER BROADBENT: Oh.

11 MP: - on this issue that one party came
12 forward with. And so for so -

13 COMMISSIONER BROADBENT: Okay.

14 MR. PRICE: Certainly argued in the 2002 series
15 of cases.

16 CHAIRMAN SCHMIDTLEIN: Right.

17 MR. PRICE: Yeah. And so, so we can - we'll
18 address it more, but if you look at - so I'm going to take
19 a different way of tact of discussing this for a second.
20 There - the producers that have been presented said it has
21 to be BOF steel. Just take that as a given.

22 One of the major foreign producers that exported
23 of the subject countries in an EAF producer, essentially the
24 same melt shop as Nucor Darlington, the same castor size as
25 Nucor Darlington, the same rolling mill as Nucor Darlington,

1 the same ability to source clean iron units as Nucor
2 Darlington. So if you go - start going down the same - is
3 there a physical difference and is there some magical thing?
4 You know, the answer is no. Okay?

5 CHAIRMAN SCHMIDTLEIN: Are there other high end
6 products that require the same tightly managed process and
7 sort of cleanliness of the steel?

8 MR. NYSTROM: Yeah, Eric Nystrom, Nucor. And
9 just to comment on that, absolutely, you know, we make some
10 products that would be aircraft quality that could be
11 bearing quality, parts that go into high rotating
12 applications that are very safety critical, that have very
13 exacting specifications regarding inclusion size and
14 cleanliness and so forth.

15 So again, they're different, but the - there
16 are some very technically engineered products that and
17 varying quality type applications. So again, just there's
18 some differences, but -

19 CHAIRMAN SCHMIDTLEIN: And those are made in the
20 same -

21 MR. NYSTROM: All made in the same type of
22 facilities.

23 CHAIRMAN SCHMIDTLEIN: Facility and -

24 MR. NYSTROM: Yes.

25 CHAIRMAN SCHMIDTLEIN: Okay. All right, my time

1 has expired, so. Vice Chairman Johanson, thank you.

2 VICE CHAIRMAN JOHANSON: Thank you, Chairman
3 Schmidtlein. I concluded my last round of questions
4 discussing the plant in Georgetown, South Carolina. I'd now
5 like to talk a little bit about the plant in Lorain, Ohio.
6 Respondents dispute that subject imports explain the closure
7 of the Republic's steel facility in Lorain, Ohio, pointing
8 instead to among other matters the Ilene - the idling of
9 U.S. steel and major bar producer and the decline in oil gas
10 markets. And this can be seen in the American Wire
11 Producers Association brief at page 25. How do you all
12 respond to these claims regarding the plant in Lorain, Ohio?

13 MR. PRICE: So a lot of that discussion relates
14 to the whole melt shop and actually what they were selling
15 to U.S. steel were semis essentially going into the - to
16 their tube operation.

17 From 2008 forward, the - when they shut down
18 the BOF shop in Lorain, that plant was supplied from Canton,
19 Ohio with EAF melt from Canton. And that melt continued to
20 supply the wire rod operations to the best of our knowledge,
21 all the way until the shutdown.

22 So the wire - they made wire rod. They're a
23 wire rod producer. They did ultimately cannibalize as they
24 were hemorrhaging money, their ability to make 5.5
25 millimeter product and were probably at about 7.5 when they

1 exited, but they made it. They make it. They make high end
2 such as the colt heading quality that Nucor makes, that
3 Charter makes, and a bunch of products make such as the 9254
4 type product for suspension springs, all wire rod. They
5 exited this business because they, as far as we can tell,
6 and what they said was because of the import of this
7 product.

8 Now there were other things going on in Lorain.
9 Certainly, their OCTG business was a different issue than
10 this issue of imports. This contributed to that.

11 VICE CHAIRMAN JOHANSON: Thank you, Mr. Price.
12 Okay. I'm going to move on to something else. There's been
13 quite a bit of discussion about scrap in this investigation.
14 Could you all please explain what events contributed to
15 changes in scrap prices since 2014?

16 MR. ARMSTRONG: Commissioner, Chris Armstrong
17 from Keystone. Scrap prices effectively vary. Well, scrap
18 prices particularly recently have varied quite wildly on the
19 market relatively to what they did before and it has been a
20 factor of many things, a factor of seasonality effects like
21 other industry. And that's a demand issue and a supply
22 issue. And as - and that includes the export of scrap to
23 some of the countries that are in effect in on part of this
24 case.

25 And what they offer to pay the scrap at the port

1 when it's exited is quite wildly reported and so forth. And
2 so for example, that's the demand side.

3 On the supply side, you can get to a point which
4 happened I'm - I can't think more, something like 12 to 18
5 months ago, where the price of scrap got so low that
6 literally it was completely not worth the while of the scrap
7 merchants to even supply it, process it, and literally scrap
8 yards shop - close shop.

9 And so that again created a bounce at the bottom
10 and scrap came up. All of these. So it's a rapidly traded
11 market and it's all - it's almost traded like a commodities
12 market in terms of there are certain - there are markets
13 throughout the country of which Chicago being one of the
14 market where we particularly trade for our scrap on that
15 market, but we will go all over the country trying to find
16 our scrap and the various grades of scrap that we need and
17 so on and so forth. So it really is a complicated supply
18 and demand effect that ends up resulting in the - affecting
19 what the end price of scrap is.

20 It really is something that is effectively given
21 to us. So it's not as if we control the price of scrap
22 other than if demand on the basis of - that we don't demand
23 it for example.

24 So many plants, for example, have shut down
25 annually to do maintenance. We just did ours in October.

1 And as a result of that, for example, in our little market,
2 the scrap price went down, because we just didn't demand
3 scrap at that point, because we were shut down. So the
4 vagaries on a weekly basis are quite sensitive as well.

5 MR. NYSTROM: Eric Nystrom, Nucor. The
6 additional comment I would add is scrap is for sure, it's
7 traded on a global basis. It's a global commodity. And it
8 affects our scrap prices here in the States whether
9 material's being exported creates shortages here, drives up
10 local prices and so on. So scrap pricing is, as Chris
11 mentioned, it's not just a local phenomena. It's a
12 worldwide phenomena. And you know, we basically transact at
13 the market prices.

14 VICE CHAIRMAN JOHANSON: Do scrap prices rather
15 than any post-petition effects explain price increases later
16 in the period of investigation?

17 MR. CANOSA: Marcelo Canosa with Gerdau. Does
18 the end of the investigation meaning end of 2016?

19 MR. ROSENTHAL: So the petition was filed at the
20 end of the first quarter of 2017. So I just want to make
21 sure that everyone's got the right time periods here. So if
22 the question you're asking is whether it's scrap prices that
23 increased in the second and third quarters extending -

24 VICE CHAIRMAN JOHANSON: Yeah, towards the end
25 of the POI?

1 MR. ROSENTHAL: Okay. So that's - so no, he's
2 not talking about '16.

3 MR. CANOSA: Okay.

4 MR. ROSENTHAL: So he's talking about
5 post-petition would be second -

6 VICE CHAIRMAN JOHANSON: Right, yes,
7 post-petition.

8 MR. ROSENTHAL: Okay. That's -

9 MR. ASHBY: Steve Ashby at Keystone,
10 Commissioner. Scrap is very difficult to predict. What the
11 industry has done a really good job of telling our customers
12 what happens with scrap and prices certainly have moved up
13 and down with that independently, based on what happens with
14 scrap, but I want to make clear that that's not the only
15 costs that we have in our business. We have lots of other
16 costs that are involved in manufacturing our products. And
17 in the end, scrap's just a very small - well, is a big part
18 of that, but it's certainly a part that our customers
19 understand. And when we try to describe other costs, it
20 really doesn't matter. It always gets down to the price.

21 VICE CHAIRMAN JOHANSON: Okay. Thank you. Mr.
22 Nystrom?

23 MR. NYSTROM: Yes. Eric Nystrom, Nucor. Just to
24 add, you know, and I think you're referring to the 2017 time
25 frame. We've seen scrap. You know, it's moved a little.

1 Maybe been up and down. And there may be pricing increases
2 that are - that correspond to when a scrap change occurs,
3 but we - again, we announce price increase. It doesn't
4 mean you get to realize it. And it's absolutely our goal
5 to, you know, we have to follow supply and demand in the
6 market. And it's our goal to raise our prices above and
7 beyond what scrap prices are able to do.

8 MR. PICKARD: Commissioner, I'm sorry, Dan
9 Pickard from Wiley Rein. I would just point you to pages 3
10 and 4 of our prehearing brief. In regard to the question of
11 the effect on prices by filing from the petitions.

12 One of the ways you know that prices increased
13 as a result of the filing of the case rather than scrap is
14 because the purchasers told you so. And although it's
15 bracketed on pages 13 and 14, you'll see numerous pieces of
16 evidence documenting that.

17 MR. PRICE: Alan Price, Wiley Rein. I actually
18 have a statement here from In Steel. And I'm going to read
19 it to you and then say everything they say about steel
20 applies equally if you substitute the word scrap.

21 It's not possible to generalize how changes in
22 steel prices, change that scrap prices, impact In Steel's
23 financial results. Ultimately, the relative strength of
24 demand of our products and the competitive dynamics
25 determine whether the margins expand or contract during a

1 period of rising or falling wire rod prices.

2 So ultimately, yeah, there's a cost component in
3 some of this, but your ability to expand or contract your
4 margin depends on the price pressure and discipline being
5 provided by the subject imports. And it's the subject
6 imports in this case that had enormous negative impacts on
7 the domestic industry's prices. And as the orders - as the
8 cases get filed and you start to get some effects of the
9 cases, you start to see the industry start to be able to
10 increase its spread over raw materials.

11 So again, going back to the recent rebar case,
12 which you just decided, where we had captive consumption,
13 where we had scrap, where had almost every one of these same
14 issues out there, we decided that the fact that prices fell
15 more than raw materials, okay, which is what we saw, was
16 injury and prices effects from the injury.

17 We have the exact same thing whether you look at
18 it with raw materials or whether you look at it as cogs, so.

19 MR. ROSENTHAL: Sorry, one last point there.
20 So post-petition, I wanted you to just see the - sorry,
21 Paul Rosenthal. So post-petition, this is what the imports
22 looked like. As you heard, there was a surge of imports in
23 the second quarter, and I don't believe that despite
24 attempts to announce price increases that there were any
25 real price increases realized.

1 Most of the improvement, if there is
2 improvement, began to occur as the imports receded as they
3 were facing provisional duties, and it was only in this
4 third quarter that some of the companies were able to
5 improve their pricing because the imports had been leaving
6 the marketplace. Even in that instance, the ability to
7 increase prices has been limited because of so much of the
8 imports that surged into the country in the second quarter
9 were in purchasers' inventories.

10 So they weren't buying as much and weren't
11 willing to buy as much at a higher price as one would have
12 expected or wanted, as Mr. Armstrong testified to a little
13 bit earlier this morning.

14 VICE CHAIRMAN JOHANSON: Thank you, Mr.
15 Rosenthal. My time's expired.

16 CHAIRMAN SCHMIDTLEIN: Commissioner
17 Williamson.

18 COMMISSIONER WILLIAMSON: Okay, thank you.
19 Just a couple of quick questions on the tire cord and tire
20 bead. Do any of your firms source billets from BOF, from
21 the BOS process to produce wire rod, and how often do you
22 buy billets for wire rod, particularly for the 1080 or other
23 grades? If you wanted to do it post-hearing, it's fine.

24 MR. PRICE: We'll do it post-hearing, thank
25 you.

1 COMMISSIONER WILLIAMSON: Okay. Are any U.S.
2 producers currently pursuing certifications or capabilities
3 to produce tire cord of a quality greater than the 1080
4 grade, and again that might be a post-hearing one too. And
5 then Table 1-8 shows U.S. production of grade 1080 and
6 higher. Do we know if this production involved any electric
7 arc furnaces? So I'm asking not what you're capable of, but
8 what's actually happening.

9 MR. ROSENTHAL: We'll answer that in
10 post-hearing as well.

11 COMMISSIONER WILLIAMSON: Okay, good. All
12 right, thanks. Okay, turning to another line of
13 questioning. Several of the domestic producers are
14 vertically integrated. Should this factor into the
15 Commission's material injury analysis, and if so how?

16 MR. CANOSA: Marcelo Canosa at Gerdau. We
17 have very small proportion of what we produce goes to our
18 own wire operations, very small, and they're separate P&Ls.
19 So we treat them as an external customer. The price that we
20 transfer to them is market price at the local market.

21 COMMISSIONER WILLIAMSON: Okay, thank you.

22 MR. PRICE: This is Alan Price. From a legal
23 perspective, let's - the captive consumption provision
24 applies in this investigation. So you should be focusing on
25 the merchant market and the harm that occurs to the industry

1 in the merchant market in terms of your -

2 BB Alan, closer to your mic please.

3 MR. PRICE: So just from a legal perspective,
4 you know, the captive consumption provision applies here.
5 So in analyzing the industry, you should be focusing on the
6 merchant market portion of it, of the marketplace.

7 COMMISSIONER WILLIAMSON: Okay, good.

8 MR. ARMSTRONG: Chris Armstrong, Keystone. I
9 would ask that it really should just make a difference. We
10 supply rod both to external customers, but by far more rod
11 to external customers than we do to our own internal
12 customers. We supply those rods at market prices, the same
13 market prices so we can - that's the way we can tell how
14 our internal companies are performing against the market.

15 And so the damage that has happened to us,
16 which overshadows what we do to our integrated practices,
17 has occurred on the rod as a result of the imports, and what
18 we've had to do chasing those imports down. To the extent
19 that we've grown on an integrated basis, is purely as a
20 strategic reaction to that harm and damage caused to us by
21 losing rod volume and margin as a result of the imports.

22 COMMISSIONER WILLIAMSON: Okay. The reason
23 why I'm asking this is if there's a mill who experiences
24 issues with supplier availability of wire rod, does the firm
25 fulfill contracts and outside orders before covering its own

1 internal needs for downstream wire rod?

2 MR. ARMSTRONG: Chris Armstrong, Keystone.

3 No, quite the opposite actually. I can attest to the fact
4 that we will place on hold, push back our own internal needs
5 of rod to satisfy external rod requirements.

6 If you think about it, it makes both rational
7 and business sense, because I can hold inventories for my
8 own internal customers at those plants and at my plant, and
9 therefore maximize my sales by making rod for the external
10 customers when they want it, and making rod for my internal
11 customers when those external customers don't want my
12 production capacity and then I hold that rod.

13 COMMISSIONER WILLIAMSON: As long as the
14 downstream people don't get in trouble with their customers?

15 MR. ARMSTRONG: Well, correct. But the rod is
16 all at - it's transferred at market anyway. So they don't
17 get in trouble with their own external customers, because
18 effectively what I do is I will buffet inventory so that
19 they never are short of volume for their customers. Does
20 that make sense? So in a seasonal business where the
21 external customers back off the volumes, that's when I can
22 make it for my internal customers and then I will place that
23 in inventory.

24 I do that purposefully so that I can supply
25 these external customers when they need it on the time lines

1 that they need it. In that way, and hopefully I'm
2 explaining myself in a way that appears ultimately rational
3 and logical, I maximize my volume.

4 I'm not turning - I never want to turn away
5 sales to external customers because I want to maximize. I
6 have spare capacity. So I can always make rod. So quite
7 the opposite. The external customers get service above our
8 internal customers.

9 COMMISSIONER WILLIAMSON: Okay, thank you.

10 MR. NYSTROM: Eric Nystrom, Nucor, and I'll
11 comment. The amount of downstream business that we have
12 that's internal is very small, and our external customers
13 are going to drive the success of our business. We transact
14 at market prices. We've very careful to treat everybody
15 fairly including external compared to our internal because
16 if we lose that trust with our customers, of course we won't
17 be their supplier of choice.

18 So we maintain - again, we transact at
19 market, and the amount of business that we have that's
20 internal is relatively and here in recent times I can't
21 remember situations where we haven't had capacity to be able
22 to sell some additional wire rods.

23 COMMISSIONER WILLIAMSON: Okay, thank you.

24 MS. CANNON: Kathy Cannon. I was just going
25 to supplement that to emphasize if you look at the industry

1 overall Commissioner Williamson, you'll see there was plenty
2 of idle capacity over this period. So that issue really is
3 only relevant if you're maxed out and you're having to
4 choose between what to do. Here, the industry was usually
5 trying to increase their sales and not having to make that
6 decision.

7 COMMISSIONER WILLIAMSON: Okay, good. You've
8 almost answered my next question. I was going to ask
9 whether or not the remaining -- do the remaining domestic
10 producers have the ability to supply the U.S. market after
11 imports from China left the market and ArcelorMittal and
12 Republic closed their wire rod mills? Should I assume the
13 answer is yes?

14 MS. CANNON: The answer is yes, yes. Look at
15 the idle capacity. They were eager to supply the market,
16 but prevented from doing that by the subject imports.

17 COMMISSIONER WILLIAMSON: Okay, good. Then
18 let's go to the next question. Have any of you been unable
19 to supply wire rod to customers, have been unable to supply
20 it within the time frames requested by a potential customer?

21 MR. ASHBY: This is Steve Ashby at Keystone.
22 So certainly during the Period of Investigation we were able
23 to supply everything. During the first nine month of this
24 year, we didn't turn down any business whatsoever, and
25 recently some customers that were buying imports because of

1 the case that we're talking about today have had some
2 concerns and asked for some quick lead time positions that
3 we haven't been able to accommodate.

4 But I can say that we can accommodate them in
5 the next couple of months. It's just a function a getting
6 them back on our order books.

7 MR. NYSTROM: Eric Nystrom, Nucor. Just to
8 add to Mr. Ashby's comments, when you're operating a steel
9 mill you like to have as much visibility in your order book
10 as possible so you can plan accordingly and be efficient.
11 When you do get a request for a drop-in order, a drop-in
12 large order because some import vessel is late, sometimes
13 it's tough to react without disrupting your schedule.

14 But in general we have the capacity. But
15 sometimes there are time frame constraints based on
16 requested needs that materialize that maybe weren't
17 foreseen. So I would say overall we've got more than enough
18 capacity, but sometimes there are requests that come at a
19 very short time frame, which aren't able to be met without
20 total disruption of our other customers, and even some of
21 the current orders that we have on the books.

22 COMMISSIONER WILLIAMSON: Okay, thank you. Do
23 spot prices affect short or long-term contract prices, and
24 if so how?

25 MR. NYSTROM: Eric Nystrom, Nucor. The vast

1 majority of wire rod is sold on a spot basis, and there are
2 programmed pricing pieces of business. I hate to even
3 really call them contracts, because they're not what you
4 call binding contracts. So first I would correct that.

5 And in fact when spot prices get so low, you
6 find you quickly how unbinding those contracts are. So
7 let's refer to it as contract pricing and they tend to be
8 more maybe intermediate length, three months, six months,
9 and they have a pretty quick and immediate effect on your
10 ongoing pricing. But again, the most wire rod in business
11 is sold on a spot- type basis.

12 COMMISSIONER WILLIAMSON: Thank you. I just
13 have a couple of quick questions. Mr. Nystrom, you
14 mentioned something about I think your third, third quarter
15 was the most important generally for the industry. I was
16 just wondering why, given the variety of uses for the
17 product?

18 MR. NYSTROM: I don't think that was me. I
19 believe that Mr. Armstrong on the third quarter.

20 COMMISSIONER WILLIAMSON: I'm sorry.

21 MR. ARMSTRONG: I'm sorry. Could you repeat
22 the question?

23 COMMISSIONER WILLIAMSON: I heard early on
24 something about the third quarter being the most important,
25 that you expect that was when you would do your best and

1 that hadn't happened when your - but I was just curious why
2 that third quarter was so important, given the variety of
3 uses of the product?

4 MR. ARMSTRONG: Because of the seasonality of
5 the item, uses of the product, that there is a habit or
6 coincidence of all the seasonalities basically combining
7 together to produce a very good shipment quarter for us in
8 the third quarter, historically speaking.

9 COMMISSIONER WILLIAMSON: Okay, yeah.

10 MR. PRICE: Alan Price. Just I think there's
11 some construction applications that tend to get more
12 seasonal in this. So you'll even see if you look at the
13 three quarter '16 data compared to the full year '16 data.
14 You just see - you actually see profits that are lower for
15 the full year than the first three quarters because there's
16 some seasonal, you know, there's some seasonal effects in
17 all of this too.

18 COMMISSIONER WILLIAMSON: Okay, and it's
19 primarily in construction?

20 MR. PRICE: Yes.

21 COMMISSIONER WILLIAMSON: Construction uses?

22 MR. PRICE: Yeah.

23 COMMISSIONER WILLIAMSON: Okay. That's what I
24 was just trying to figure out. One last quick question.
25 Mr. Nystrom you talked about -- when you were talking

1 about tire cord and tire bead, I think you made a
2 distinction between what people might produce, and I wasn't
3 sure if that was of any significance. Is the same thing,
4 same company that produces the tire cord going to produce
5 the tire bead too or -- there may not be a distinction
6 that is worth talking about.

7 MR. NYSTROM: Yeah. Speaking from Nucor's
8 standpoint, we're just at the beginning stages of producing
9 tire bead, and we're pretty excited about moving through
10 that process and developing more and more advanced tire bead
11 applications and evaluating the tire cord into the future.
12 But yeah, it's made on the same equipment, if that's what
13 you're referring to.

14 So you know, obviously many steel mills can
15 produce - around the world can produce both bead and cord
16 on the similar equipment. Today at Nucor we are not.

17 COMMISSIONER WILLIAMSON: And do you -
18 apparently you just do the bead first and then move up to
19 the cord?

20 MR. NYSTROM: That's correct. The bead's a
21 little more forgiving than the cord.

22 COMMISSIONER WILLIAMSON: Okay, good. Thank
23 you for all of those answers.

24 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

25 COMMISSIONER BROADBENT: Yeah. This is for

1 Mr. Armstrong and Mr. Nystrom. Why is it so difficult for
2 your companies to find opportunities to export? You know,
3 we've got 16 cases, 16 countries all trading in our market,
4 importing here, trading globally. You guys are strong, big
5 companies. Why don't you export at all in this product
6 area?

7 MR. CANOSA: Marcelo Canosa with Gerdau. I
8 was actually the export manager for a couple of years in the
9 U.S. for Gerdau Ameristeel. The same competition we see
10 here in the U.S. we see in those countries as well. So
11 mainly because of price.

12 COMMISSIONER BROADBENT: So they're all just
13 producing at an uneconomic price, and it's not worth it to
14 compete there?

15 MR. CANOSA: Absolutely.

16 COMMISSIONER BROADBENT: All 16 countries?

17 MR. CANOSA: Well, I don't know individually
18 all the countries. But the markets that we target as
19 export, which is the closest markets for us, which is
20 Central America, the Caribbean, South America, we had the
21 same pressure from those subject countries in those markets
22 as well.

23 COMMISSIONER BROADBENT: Okay.

24 MR. ARMSTRONG: Chris Armstrong, Keystone.
25 Commissioner, I would echo the comments by Mr. Canosa. It's

1 to do with the prices. We can't basically compete with the
2 prices in the countries that exporting into the United
3 States, and also so effectively we try and concentrate on
4 the customers in the markets that we've historically served
5 in the United States before the imports took away that
6 business.

7 COMMISSIONER BROADBENT: So it's basically
8 because you can't compete?

9 MR. ARMSTRONG: I think we could compete if it
10 was there.

11 MR. ROSENTHAL: Commissioner Broadbent,
12 unfortunately wire rod is - when you consider all the steel
13 products to make, is not one that's most difficult. There
14 are many, many countries who make wire rod. As you saw, the
15 Chinese are gigantic producers of wire rod and after our
16 successful case here, where 600,000 tons of wire rod by
17 China left the market, they went someplace else, the other
18 export destinations for China.

19 These other countries that are subject to this
20 particular case are very, very capable of selling product at
21 low prices elsewhere around the world. The fact of the
22 matter is the reason why this case is so important to this
23 domestic industry, as you heard from Mr. Armstrong, is that
24 this is their domestic market. If they cannot make money in
25 this market, they're not going to be able to make money

1 anyplace else.

2 The same happens to be true in the case of a
3 lot of other countries. They will first make money in their
4 own market, and sometimes they have home market sanctuaries
5 that are well-protected with high tariffs, and therefore
6 they can make a lot of money there. Then they can afford to
7 sell at just about variable costs to dump their product and
8 increase their profits by having greater sales.

9 That's a perennial problem in this industry.
10 So I'm not saying that they can't export. They've exported
11 in the past on limited opportunities. But the market for
12 wire rod is saturated around the world, and the Chinese are
13 the biggest problem in every market elsewhere and they're
14 all competing to get sales there.

15 COMMISSIONER BROADBENT: What's going on with
16 China? I know that we had revoked the order 2007. Wire rod
17 imports from Canada are way up and they're non-subject in
18 this case. Are you now selling in Canada? Is there a
19 better back and forth that's working for you?

20 MR. NYSTROM: Eric Nystrom at Nucor, and yes
21 we do sell wire rod products into Canada to some degree as
22 well, and if I could also just go back and answer, you know,
23 as I was thinking about your previous question, wire rod and
24 I think Mr. Rosenthal mentioned it. It's oversaturated
25 around the world. There's plenty of capacity and margins

1 aren't huge anywhere in the world.

2 When you start to factor in freight costs to
3 ship it to a port, to ship it across the ocean, to ship it
4 to a customer, it doesn't make a lot of financial sense
5 unless you're going to start doing here what some of our
6 competing countries do, and that's sell it well below -
7 sell that product, create just additional tons at well our
8 home market prices.

9 So in general, it's just not attractive to do
10 it. We've got the most attractive market generally in the
11 world here in the United States, and everybody surely tries
12 to go their share by feeding on our market.

13 COMMISSIONER BROADBENT: Okay, and then this
14 is just a quick question for Mr. Price and Mr. Rosenthal.
15 Wait, where did it go? So you're arguing that we have both
16 critical circumstances and post-petition effects. Can it be
17 both at the same time, and what do you think are the role of
18 the 232 investigation? Is that bringing more imports into
19 the market, as Senator Wyden seems to be saying?

20 MR. ROSENTHAL: Paul Rosenthal. Let me try to
21 explain what our clients have told us has happened in the
22 marketplace, and you tell - and you can - will reach the
23 conclusion whether you have both critical circumstances and
24 post-petition effects. I will not speculate about the 232.

25 COMMISSIONER BROADBENT: I just thought I'd

1 throw that in.

2 MR. ROSENTHAL: What we've seen in the
3 marketplace is the surge in imports in the second quarter as
4 a result of these cases, and a building of inventories not
5 necessarily in the inventories of the importers, but
6 inventories of the wire producers, which is not necessarily
7 captured in the record unfortunately.

8 I don't know what to do about that, but the
9 fact of the matter is there's a lot of inventory that is
10 being held, and so what's happened is that prices have gone
11 up somewhat as a result of the threat of provisional duties,
12 and now the actual imposition of provisional duties, but not
13 nearly as much as one would have expected given their
14 imposition.

15 The reason is because there's a lot still in
16 inventory that came in from that surge, and Mr. Armstrong
17 has testified about that and he can testify more if you
18 want. But those imports that came in will take months to
19 work through the system. We heard yesterday when we were
20 preparing for this hearing that it may take through the
21 first quarter of 2018 before all the imports that came in in
22 the second quarter are actually through the system.

23 So yes, there has been an improvement in
24 pricing and in some instances because of these cases. So
25 there is a post-petition benefit, but not nearly the kind of

1 relief one would have expected given the imposition of
2 provisional duties.

3 MR. PRICE: So I'm going to - Alan Price.
4 I'm going to agree with Mr. Rosenthal. The question is in
5 this type of capital-intensive industry where you need
6 substantial profits to fund investment, you have to have a
7 return on investment, none of these companies are earning
8 hurdle rates that are reasonable, the delay that -

9 You're getting some improvement, but there's
10 delay in the degree of improvement because of the
11 inventories that are out there. So it is still having a
12 retarding effect that is seriously undermining the order.
13 So you can have both occurring because you would have had
14 much better performance, as Mr. Rosenthal just said, at the
15 end.

16 Regarding the 232, I concur. I also won't be
17 given to speculating about anything about the 232 at this
18 point, and I've also learned to very rarely disagree with
19 members of the U.S. Senate. Thank you.

20 MS. CANNON: Kathy Cannon. Just to
21 supplement. If you go back to Chart 8, that was why we kind
22 of broke this up, Commissioner Broadbent. We were trying to
23 figure out what was going on in 2017, because if you looked
24 at it overall, you saw that the imports were still sizeable,
25 but they were down a little bit from where they had been.

1 When we brought, broke it down by quarter, that's when we
2 really saw the reaction to the case.

3 So I think that slide demonstrates that you
4 did see a surge right up until the time when they started
5 getting worried about these provisional measures, and then
6 you saw them backing off. What you're not seeing as much as
7 you do in other cases, and is an extension of those
8 post-petition, frankly because we're back here sooner, this
9 is a more expedited final than you have in a lot of cases.

10 So you just don't have as long of a period
11 with some of these provisional measures, and in fact to
12 start seeing the benefits that we are hoping and
13 anticipating will happen.

14 COMMISSIONER BROADBENT: Okay. That concludes
15 my questions. Thank you very much.

16 CHAIRMAN SCHMIDTLEIN: Vice Chairman Johanson.

17 VICE CHAIRMAN JOHANSON: The Italian
18 respondent has argued that subject imports from Italy are
19 negligible, that the statutory exception to negligibility
20 does not apply to Italian imports in this investigation, and
21 that there's no potential that subject imports from Italy
22 will imminently exceed three percent of total imports, and
23 this can be seen in Ferrier Nord's brief at page one.

24 Could you all please respond to these
25 arguments, either now or in your post-hearing brief?

1 MR. PICKARD: Commissioner, Dan Pickard from
2 Wiley Rein. We can certainly brief this further, but as we
3 mentioned in our prehearing brief, one of the most probative
4 pieces of evidence in regard to whether they were likely to
5 imminently exceed three percent was the fact that they did
6 in fact imminently exceed three percent, and that's spelled
7 out in our brief. But we'd be happy to flesh it out more in
8 our post-hearing.

9 MR. PRICE: Alan Price, and I'll just add that
10 the Commission has followed that practice of finding that
11 they were likely to imminently exceed three percent -

12 MR. BISHOP: Closer to the mic Alan.

13 MR. PRICE: Import were up substantially over
14 the latter portion of the 12 month period, and they have
15 found that they're likely to substantially exceed three
16 percent, often looking at that period right after to see if
17 they did. The case I would cite on that is Rebar from China
18 from about 2000. It's been pretty consistently following
19 that practice, because if imports were trending up and that
20 trend continued, I think that is decisive evidence.

21 VICE CHAIRMAN JOHANSON: Thank you Mr. Price,
22 Mr. Pickard. That concludes my questions. Thank you all
23 for appearing here today.

24 CHAIRMAN SCHMIDTLEIN: All right. I believe
25 that concludes the Commissioner's questions. Do staff have

1 any questions for this panel?

2 MR. CORKRAN: Douglas Corkran, Office of
3 Investigations. Thank you, Madam Chairman. Staff has no
4 additional questions.

5 CHAIRMAN SCHMIDTLEIN: Thank you. Do
6 Respondents have any questions for this panel? No, all
7 right. Thank you very much. So this brings us to our lunch
8 break. We're going to take a slightly abbreviated lunch
9 break because unfortunately I have to leave this afternoon a
10 little early and I would like to hear the Respondents'
11 direct presentation before I have to leave.

12 So if we could be back here by 1:15, I would
13 appreciate it. Let me remind you that the hearing room is
14 not secure, so please take your confidential documents with
15 you and we will see you back at 1:15. We are in recess
16 until that time.

17 (Whereupon, a luncheon recess was taken.)

18
19
20
21
22
23
24
25

1 A F T E R N O O N S E S S I O N

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

3 CHAIRMAN SCHMIDTLEIN: Alright, good afternoon.

4 Are there any preliminary matters, Mr. Secretary?

5 MR. BISHOP: Madam Chairman, I would note that
6 the panel in opposition to the imposition of the
7 anti-dumping and countervailing duty orders have been
8 seated. This panel has 60 minutes for their direct
9 testimony.

10 CHAIRMAN SCHMIDTLEIN: Alright, Mr. Cunningham,
11 you may begin when you're ready.

12 MR. CUNNINGHAM: I yield to Mr. Trendl.

13 CHAIRMAN SCHMIDTLEIN: Okay.

14 STATEMENT OF THOMAS J. TRENDL

15 MR. TRENDL: Hi, my name is Tom Trendl. I'm
16 with Steptoe & Johnson and counsel to British Steel. Good
17 afternoon, Commissioners and staff.

18 I'm here to address issues relevant to the
19 overall injury to the domestic industry. And the question,
20 I suppose, is what happened in the U.S. wire rod market
21 during the POI was that two companies, AchlerMittal and
22 Republic, as you've heard this morning, encountered problems
23 that had nothing to do with subject imports. Those problems
24 were so severe that they both left the wire rod industry
25 during the POI. The rest of the U.S. wire rod producers,

1 the companies here today that brought this proceeding,
2 clearly suffered no injury from subject imports, from 2014
3 to 2016 their production, sales, shipments rose despite a
4 decline in apparent domestic consumption.

5 Their share of the U.S. wire rod market
6 increased substantially in an amount almost double the
7 market share of subject imports, their profits suffered
8 somewhat, but not much because of a decline in prices. I
9 will demonstrate in a moment that this decline was caused by
10 a sharp decline in the price of steel scrap and by the
11 decline in apparent domestic consumption, not by subject
12 imports.

13 Beginning in 2016, the fortunes of the U.S.
14 industry improved substantially. That improvement did not
15 coincide with the filing of this case, which came a year
16 later, or with anything to do with subject imports. Rather
17 they coincided with a sharp upturn in the price of scrap
18 steel, which, in turn, lead wire rod prices upwards.

19 With this overview in mind, let me turn, first,
20 to a discussion of volume and market share issues and then
21 to a discussion of price issues. We've hastily put together
22 some confidential exhibits. And as Mr. Bishop alerted me,
23 it should've been on pink paper, but I direct you to those
24 exhibits.

25 Attachment A, which includes APO data, shows

1 dramatically that what you saw as an industry in decline in
2 shipments and market share was entirely attributable to the
3 closures of AchlerMittal and Republic. The other industry
4 members' shipments improved and their market share improved
5 greatly. I would note that the industry's market share
6 increased if either AchlerMittal or Republic is excluded.

7 The Commission has dealt before with this
8 situation where one industry member shuts down for reasons
9 other than subject imports. In such circumstances, you've
10 found it relevant that the other industry members showed an
11 improvement during the POI and that fact has contributed to
12 a negative determination. We've cited a number of these
13 cases in our pre-hearing brief, titanium sponge from Japan
14 and Kazakhstan being the most recent. So it's critical for
15 the Commission to understand the reasons why AchlerMittal
16 and Republic left the wire rod business.

17 AchlerMittal left because their Georgetown,
18 South Carolina plant became unable to import DRI through
19 their silt-clogged Georgetown Harbor, with both state and
20 federal agencies were unwilling to spend - and Commissioner
21 Williamson to answer your question - \$70 million to dredge.
22 You will hear about that in detail from other Respondents'
23 testimony.

24 Republic produced wire rod in Lorain, Ohio with
25 a small percentage falling into the defined scope of this

1 investigation. That plant closed because of problems in the
2 bar market, not the wire rod market and to talk about that
3 we have Bill Shields, who spent many years working at that
4 mill. Bill?

5 STATEMENT OF BILL SHIELDS

6 MR. SHIELDS: Good morning, Commissioners,
7 staff. My name is Bill Shields and I am sales manager at
8 British Steel, Ltd. I thank you for the opportunity to
9 address you today. I've been with British Steel since
10 mid-2016 and at Tata Steel America, the company British
11 Steel bought in 2016, since 2010. In my current position
12 I'm responsible for, among other things, supervising the
13 sales and marketing of our carbon and alloy steel wire rod
14 products in the United States and Canada. Prior to that
15 time, I was a sales manager of bar and rod for Republic
16 Steel. Altogether, I have been involved in the carbon and
17 alloy steel wire rod business for over 30 years.

18 In my testimony today, I would like to
19 specifically discuss my experience at Republic Steel and the
20 reasons I believe the Republic Lorain facility is no longer
21 in operation; particularly, that imports of wire rod had
22 nothing to do with the company's closure.

23 As discussed in our brief, the Republic Steel
24 Lorain facility produced three main products -
25 semi-finished tube-rounds, large diameter hot rolled

1 straight bars on their 20-inch valve and hot rolled cold
2 product on their 9/10-inch valve. A small percentage of the
3 coil product falling into the HTS wire rod category.

4 I will now discuss the background of Republic
5 Lorain facility and the reason for the closure of this
6 facility. In January 2015, due to the crash of the oil and
7 gas sector, U.S. Steel idled its Lorain tubular operations.
8 This idling resulted in Republic Steel announcing three
9 months later the closure of its new electric arc mill
10 facility and the subsequent exit of supply of tube-rounds.
11 The two Lorain bar mills remained in operation with the
12 supply of blooms or billets from the Republic Canton melt
13 facility.

14 During this time period, the Republic Lorain
15 20-inch bar mill continued to struggle with production due
16 incredibly depressed demand levels for large diameter bars
17 and specifically for the oil and gas sector. The core
18 production on the Lorain 9/10-inch mill also experienced a
19 demand decline, but not to the same level as the large
20 diameter bar mill. Republic needed a bar volume output
21 spread across both of these mills to continue rolling
22 operations at Lorain.

23 With bar demand for the large diameter bar
24 almost nonexistent in March 2016, Republic shut down
25 production at both bar mills. This shutdown was related to

1 a decreased volume demand across all hot rolled sizes with
2 the biggest market decline in the large bar sizes, 3-inch to
3 6-1/2-inch. The size range involved in this proceeding,
4 coil diameter through 19 millimeters, was an extremely small
5 portion of the overall bar size range that Republic Lorain
6 bar mill supplied to the marketplace.

7 Of note, the Republic Steel, Lorain, 9-inch mill
8 discontinued the supply of hot rolled diameter sizes below
9 .297-inch well over 15 years ago. Discontinued supply was
10 due to production inefficiencies of rolling these small
11 diameter sizes on a one-line mill. Republic Lorain mill was
12 just not competing with rod mills, domestic and foreign,
13 including the 10 rod mills involved in this investigation on
14 the highest hot rolled wire rod volume sizes of 7/30
15 seconds, quarter inch, and 9/30 seconds. Most importantly,
16 specific to the scope of this proceeding and the steel
17 supply from the Republic Lorain mill of hot rolled sizes of
18 .297 to 19 millimeters and excluding free-cutting grades,
19 the Republic Lorain facility competed only on a negligible
20 basis with hot rolled rod imports from these 10 countries.

21 As Republic did not compete with imports from
22 these countries, the rod imports from these 10 countries had
23 no factor in the decision-making for the shutting down of
24 the Lorain bar mills. The shutdown of Republic's Lorain bar
25 mills in 2016 was a demand issue and clearly had nothing to

1 do with the competition from the wire rod imports that are
2 the subject of this proceeding. Thank you.

3 MR. CUNNINGHAM: Thanks Bill. So now let me
4 explain why the industry's price problems were not caused by
5 subject imports. We submit that the record shows clearly
6 that sharply declining scrap steel prices lead wire rod
7 prices down from the beginning of 2014 through the end of
8 2015 and the upward turn of scrap steel prices at the end of
9 2015 was closely followed by the turnaround in wire rod
10 prices and from that point onward rising steel scrap prices
11 were followed by somewhat lesser increases in wire rod
12 prices. And I turn now to Confidential Attachment B, which
13 demonstrates conclusively this correlation between steel
14 scrap prices and wire rod price trends. I can't discuss it
15 because it's APO, but I think you'll find an interesting
16 pattern there.

17 This correlation corresponds with commercial
18 reality as well. You'll hear today testimony from
19 Respondents' witnesses and the wire rod producer witnesses
20 that wire rod customers focused particular attention on
21 changes in steel scrap prices. You heard that this morning
22 as well. They use of steel scrap trends as their primary
23 argument to persuade wire rod producers to change their
24 prices. The Commission should also note that in the
25 2014/'15 period when wire rod price declined the scrap steel

1 decline was substantially greater.

2 Clearly, these greater scrap steel declines
3 provided persuasive arguments to purchasers seeking lower
4 wire rod prices and of course, keep in mind that apparent
5 domestic consumption was declining at the same time. This
6 put further pressure on the domestic producers to reduce
7 prices. There's no basis whatsoever to look to subject
8 imports as a significant cause of U.S. wire rod price
9 declines.

10 In summary, subject imports have caused neither
11 adverse volume affects nor adverse price affects. This
12 precludes an affirmative determination in this proceeding.
13 Finally, others will speak to this in greater detail, but
14 British Steel also submits the grade 10/90 tire cord is
15 defined wire rod must be deemed as separate like product and
16 we may have words on that later on.

17 And now you've got the order of people that are
18 speaking, so go ahead.

19 STATEMENT OF KIMBERLY KORBEL

20 MS. KORBEL: Good afternoon. My name is
21 Kimberly Korbelt and I'm the Executive Director of the
22 American Wire Producers Association. The member companies
23 of AWPA account for between 75 and 85 percent of all wire
24 rod purchased in the U.S. in open market. Our members buy
25 wire rod in all grades and types and draw it into wire for

1 literally thousands of downstream applications. Wire is
2 everywhere.

3 Five members of the AWPA are here today to
4 discuss conditions in the domestic rod market and to explain
5 their purchasing decisions. You can hear from them
6 personally instead of hearing what Mr. Rosenthal and Mr.
7 White believe we do. The five wire companies alone employ
8 4,500 American workers at 27 plants in 17 states and in 2016
9 they purchased 1.2 million tons of wire rod for their U.S.
10 wire operations. According to the public pre-hearing
11 report, that's nearly a quarter of the apparent consumption
12 of wire rod this last year.

13 Our witnesses are eager to respond to your
14 questions about why they buy imports of wire rod to supply
15 their large volume of purchases from the domestic industry.
16 I also want to emphasize the importance of steel scrap
17 prices in establishing wire rod prices. Our witnesses will
18 address this issue in more detail. We hope that you will
19 look carefully at the correlation of scrap price changes and
20 wire rod price changes. Because our members recognize the
21 close relationship between the cost of scrap and the
22 domestic industry's wire rod prices at almost every annual
23 meeting of the Association I invite economic experts to talk
24 about the scrap market, including the Institute of Scrap
25 Recycling industries. It is a topic of great importance to

1 our members and to this case as well.

2 Finally, I know the Petitioners want to blame
3 imports for the declines in their performance, but the real
4 problem faced by the domestic rod mills, including the
5 Petitioners, is that total demand for wire rod has declined.
6 The direct affect of the trade cases that they have filed
7 over the years is the decline of wire rod demand. Prior to
8 the filing of dumping and subsidy cases against 12 countries
9 in 2001, apparent consumption of wire rod in the United
10 States exceeded 8 million tons annually and the U.S. rod
11 mills produced about 5.5 million tons of that rod.

12 Following orders on seven of those countries and
13 the more recent orders against China, U.S. apparent
14 consumption of wire rod in the United States has fallen to
15 less than 6 million tons; however, U.S. production has
16 declined to less than 4 million tons. The decline in U.S.
17 apparent consumption is not the result of rod imports.
18 Significant increases in imports of wire and wire products
19 are displacing wire production by AWPA members and
20 importantly, wire consumption by their customers who use
21 wire for the manufacture of their finished goods.

22 Here you will see some examples of wire products
23 sold at Wal-Mart that are imported rather than being made by
24 U.S. wire producers. Ultimately, the domestic rod
25 industry's market have contracted not because of imports of

1 wire rod, but because of the loss of U.S. production of wire
2 and wire products.

3 Our first witness is the current present of the
4 AWPA, Mr. John T. Johnson.

5 STATEMENT OF JOHN T. JOHNSON

6 MR. JOHNSON: Good afternoon, Commissioners.

7 I'm John T. Johnson, the owner and president of Mid South
8 Wire in Nashville, Tennessee. I'm also the current
9 president of the American Wire Producers Association.

10 Mid South Wire was founded in 1967 as a
11 family-owned business to draw steel wire rod into wire for a
12 wide variety of wire products. Together, with our
13 affiliated sister company, Nashville Wire Products, we
14 employ over 1,000 American workers in plants located in four
15 states. Each year Mid South purchases about 200,000 tons of
16 wire rod. I want to emphasize up front that we rely on the
17 domestic rod industry, including the Petitioners, for the
18 majority of our material.

19 We have a good relationship with our domestic
20 suppliers and will continue to work closely with them;
21 however, there are certain advantages for us in buying
22 imported rod that have nothing to do with price, but with
23 our overall cost. One important advantage of imported rod
24 is that we can purchase in barge lot quantities. Our plant
25 in Nashville is strategically located on the Cumberland

1 River, so we prefer to buy in multiple barge loads of 1500
2 tons each. We have made extensive investments in high
3 volume cranes and equipment for unloading barges. All of
4 our imported rod arrives by barge at our plants; however,
5 many of the domestic mills do not have the capability to
6 ship by barge. It takes considerably more time and manpower
7 to marshal 75 truckloads of domestic rod in our receiving
8 yard. If we are unable to source imported rod as a result
9 of this case, we'll have to rely on more truck deliveries
10 and we estimate the increased transportation cost alone
11 would amount to a million dollars annually.

12 Buying imported rod also allows us to secure
13 business that requires guaranteed, long-term pricing. We
14 have customers who request confirmed pricing for two
15 quarters up to a year, but the domestic rod mills are
16 unwilling to provide that kind of predictable pricing. Our
17 domestic suppliers, generally, will confirm pricing for only
18 one month at a time because domestic rod mill prices are
19 generally tied to scrap prices, which can be extremely
20 volatile and unpredictable.

21 Generally speaking, scrap prices have been
22 increasing since the first quarter of 2016 and Petitioners
23 have been announcing price increases for wire rod almost on
24 a monthly basis. They are not willing to lock in a rod
25 price for us when scrap prices are continuing to rise.

1 Another point I want to highlight is the fact that we
2 compete in our downstream wire markets with our domestic
3 wire suppliers, including all four of the Petitioners.
4 They compete with us in the chain-link fence market, lawn
5 and garden products, and the appliance industry, just to
6 name a few.

7 In the event of competing demands for a finite
8 supply of wire rod, we expect that the U.S. supply mills
9 will take of their internal and related wire operations
10 before they ship to outside customers like Mid South and
11 other independent wire drawers. In fact, we're already
12 hearing from some U.S. rod mills about tonnage constraints
13 in the near future and they tell us they are either fully
14 booked or getting booked. If the domestic mills are the
15 only game in town, I have real concerns about whether my
16 company and other independent wire producers will be able to
17 get the wire rod needed to operate our businesses.

18 In addition, it is never a good practice for any
19 business in any industry to be wholly dependent upon your
20 competitors for all your raw materials. Finally, the
21 domestic rod industry's reliance on trade cases to restrict
22 our access to the global rod market makes us uncompetitive
23 in a global market, often forcing our customers to move
24 production and jobs overseas.

25 Like other independent wire producers, we are

1 frequently caught in a cost price squeeze when it comes to
2 our raw material input. Our downstream customers are caught
3 in the same squeeze. When rod prices increase, so do our
4 prices. Our customers demand that we be competitive if they
5 are to continue to buy from us and make their products in
6 the U.S. Unfortunately, over the past several years a
7 number of end-use customers have moved some or all of their
8 production out of the United States as a result of rising
9 material cost.

10 Let me mention two of many examples. We used to
11 supply the wire that went into production of bicycles and
12 barbeque grills in the United States. When was the last
13 time you saw Made in USA on a bicycle or a barbeque grill?
14 They aren't any more. If we're held hostage by the domestic
15 rod mills and denied the ability to buy rod in a globally
16 competitive market, more of our customers will move to
17 import options instead of buying from us to meet their
18 needs. As a result, wire rod consumption in the United
19 States will continue to decline, hurting both wire producers
20 and the domestic rod mills. Ultimately, when we lose
21 customers, so do the rod mills. Thank you.

22 STATEMENT OF CHRISTIAN STAUFFER

23 MR. STAUFFER: Good afternoon. My name is Chris
24 Stauffer. I'm Vice President for Sourcing and Logistics at
25 Insteel Industries, Inc. Insteel is the nation's largest

1 manufacturer of steel wire reinforcing products for concrete
2 construction applications. We consume more than 400,000
3 tons of wire rod annually for production of drone wire,
4 pre-stressed concrete strain, and welded wire reinforcement
5 products, such as engineered structural mesh, concrete pipe
6 reinforcement, and standard welded mesh products. Insteel
7 operates 10 plants in seven states. It employs more than
8 900 American workers. Our sales are approximately 400
9 million annually.

10 Since 2014, we have purchased 70 percent of our
11 rod requirements, more than 1.1 million tons, from the U.S.
12 industry. In 2016 alone, we purchased over 300,000 tons
13 from U.S. rod mills. In fact, our five largest suppliers
14 are domestic mills, including all four of the Petitioners.
15 However, for the most market sectors domestic demand for
16 wire rod exceeds domestic production capacity and imports of
17 wire rod are necessary to satisfy the supply requirements of
18 the U.S. market.

19 We consistently buy from both domestic and
20 import sources because our commitments to our customers
21 require a continuous supply of wire rod from all sources.
22 Let me emphasize Insteel does not buy imported rod instead
23 of domestic rod. We must have both. In any given year, the
24 domestic rod industry will have planned and unplanned
25 outages, as well as production schedules running at 100

1 percent of current capacity. Twice last year one of the
2 petitioning mills reduced our wire order by 10 percent
3 because the mill was overbooked. We were told that the
4 overbooking was due to strong rebar and rod orders and that
5 the mill was cutting all customers as a result. Insteel was
6 forced to cover full production requirements elsewhere.

7 This year some of the Petitioners have informed
8 us that they were overbooked and that their capacity is full
9 and that they're extending their rolling cycle.

10 Availability is one of our primary considerations when
11 deciding from whom to purchase. We cannot afford to run out
12 of rod and be left to scramble to cover our rod
13 requirements.

14 Negotiations with the domestic mills always
15 start with the price of scrap. Did the scrap price go up or
16 did it go down compared to last month? Rod prices fluctuate
17 based on a monthly change in scrap and other metallic prices
18 published by the American Metal Market. As scrap prices
19 have increased over the past two years, the domestic mills
20 have sent out regular price increase letters that covered
21 the change in scrap, sometimes more. With a pricing
22 algorithm that fluctuates month-to-month based on scrap
23 movement, our efforts to maintain steady rod inventories and
24 ensure that we have sufficient rod supply at our multiple
25 locations puts us at the mercy of the domestic rod industry.

1 Like the other wire producers here today,
2 Insteel must compete with our domestic rod suppliers in
3 downstream wire and wire products. All of the Petitioners
4 are vertically integrated mills that produce both wire rod
5 and wire products, including our products, welded wire
6 reinforcement and PC strain. The Petitioners downstream
7 wire operations also compete with us for finite supplies of
8 wire rod and we are certain if wire shortages or delays
9 develop as a result of these cases rod mills will give
10 preference to their own downstream wire facilities. This
11 would be disastrous for the U.S. wire and wire products
12 industry.

13 Finally, I want to briefly address the closure
14 of the AchlerMittal mill in Georgetown, South Carolina and a
15 bit on the idling of the Republic mill in Lorain. I had
16 testified in the staff conference that the Georgetown mill
17 had insurmountable problems that significantly increased its
18 cost. We were told by AchlerMittal's management that high
19 input costs as well as increased domestic competition from
20 Nucor's state-of-the-art rod mill in Darlington were the
21 main factors that caused the shutdown of the Georgetown
22 mill. These factors would have lead to a closure of the
23 mill with or without imports in the market.

24 As for Republic, public statements from the
25 company attribute their decision to a decline in oil and gas

1 markets to which Republic was a special bar quality product
2 supplier. Additionally, Lorain never produced sizes that we
3 could consider to be relevant in the U.S. domestic rod
4 market. None of these factors have anything to do with
5 subject rod imports. Thank you.

6 STATEMENT OF ROBERT MOFFITT

7 MR. MOFFITT: Good afternoon. My name is Bob
8 Moffitt and I am vice president purchasing for the Heico
9 Wire Group. The wire group was the largest consumer of wire
10 rod in western North America and one of the largest in the
11 United States. We employ approximately 650 people at wire
12 facilities in four states. The Heico Wire Group is a strong
13 supporter of the U.S. rod industry.

14 During the past four years, we have bought
15 between 75 and 85 percent of our total rod requirements from
16 U.S. sources. Actually, we refer to buy domestic, but as
17 I've testified many times before, we learned through
18 experience that it is essential to maintain multiple sources
19 of wire rod. As a result, we made a strategic business
20 decision some years ago that we would purchase between 25
21 and 30 percent of our wire rod requirements from offshore
22 producers and the remaining between 70 and 75 percent
23 domestically.

24 When we purchase imported rod, we are not buying
25 it instead of domestically produced rod. It is not a

1 question of either domestic rod or imports. It is a matter
2 of needing to have both sources available.

3 In deciding where to source rod, the three most
4 important considerations for me are, one, the cost of the
5 rod as opposed to its price; two, timely delivery; and
6 three, the relationship I have with the vendor.

7 The cost of rod is critical. By cost, I do not
8 mean the price on the supply contract, but the actual cost
9 to my company for using the rod in our wire drawing
10 operations. The lowest priced rod is not necessarily the
11 lowest cost rod.

12 Prior to any price negotiations, I evaluate
13 several factors that affect the cost to the rod, including
14 coil size, scale weight, mill trimming practices, surface
15 quality, and the physical and mechanical properties of the
16 wire rod.

17 All of these factors vary from mill to mill,
18 whether import or domestic. For example, the weight of a
19 coil of rod is important because a smaller coil requires
20 more welds to maintain continuous drawing and smaller coils
21 generate more scrap. So more steel is lost per ton. This
22 increases our costs.

23 With imported rod, we often find damage from
24 mishandling and poor packaging, which contributes to breaks
25 during the wire processing, I'm sorry, the wire drawing

1 process. Higher breakage rates and slower drawing speeds
2 means that fewer pounds of rod can be drawn per hour. This
3 increases our costs.

4 Domestic mills ship via rail and truck usually
5 with one heat per load. Imported rod comes in consignments
6 of 5 to 30,000 tons and heats are always comingled. This
7 makes it more difficult for us to manage our inventory and
8 thus increases our costs.

9 Imported rod must be carried in inventory for
10 longer periods of time because of the larger consignments,
11 which adds to the cost of the material. So I must always
12 consider the effect of all of these various factors on the
13 cost of our raw material, not simply the price we pay for
14 it.

15 Another key consideration in my purchasing
16 decisions is timely delivery. The cheapest rod in the world
17 is of little use to me if it is delivered late or not at all
18 or if it arrives in an unacceptable condition. Our wire
19 companies cannot operate efficiently without a reliable and
20 predictable supply of raw materials.

21 This leads to me to vendor relationships, which
22 are a very significant factor in my sourcing decisions.
23 Vendor relationships are important because I am aware of the
24 capabilities, quality, and reliability - reliability of each
25 of my suppliers. And I know the mills that I can depend on

1 to ship rod to meets our company's standards. At times, we
2 pay a higher price to these domestic mills than their
3 domestic competitors because of these vendor relationships.

4 Now that I have talked about the cost of rod,
5 let me address price or rather how rod prices are generally
6 set at least according to the domestic mills. Domestic rod
7 pricing is driven bimonthly changes in the price of steel
8 scrap, specifically the price of Chicago shredded as
9 reported by American Metal Market.

10 Movements in scrap pricing are always a part of
11 any supply negotiation with the U.S. rod mills because scrap
12 prices are a key indicator of market changes in wire rod
13 prices. When think AMM publishes their scrap analysis, the
14 U.S. rod mills use the scrap price in their wire rod pricing
15 for the subsequent month.

16 As a result, purchasers closely monitor scrap
17 prices for any indication of likely changes in rod prices.
18 The trends in scrap prices between 20014 and today are
19 closely correlated with wire rod prices and show that
20 domestic prices declined in 2014 and '15 as a direct result
21 of declines in the prices of steel scrap. Scrap prices
22 began to increase in 2016 and they have continued to rise in
23 2017.

24 Wire rod prices have followed this same trend as
25 evidenced by the numerous price increase announcements

1 issued by the domestic mills in 2016 and 2017.

2 Finally, I feel it important to point out that
3 the real threat to the domestic rod mills is not imported
4 rod, but rather imported wire. The reason I say this is
5 because total rod demand keeps declining as a result of the
6 trade cases filed by the U.S. rod industry. The last rod
7 case against China in 2014 is a perfect example of the
8 damage that a trade case can do to the domestic rod
9 industry.

10 After the case against China, our largest
11 competitor located in Vancouver, British Columbia had no
12 restrictions on its imports of rod from China. Canadian
13 statistics show a dramatic increase in shipments of wire rod
14 from China to Canada. And we have seen a dramatic increase
15 imported wire from Canada at prices substantially below what
16 we can offer our wire.

17 My company actually bought fewer tons of rod,
18 domestic and imported as a result of that case. In the end,
19 countries who do not have access to the U.S. market will
20 continue to produce wire rod, but that rod will end up being
21 imported into the U.S. as a finished wire product. This is
22 the real threat, not just to the U.S. wire industry, but to
23 the U.S. rod industry as well. Thank you.

24 STATEMENT OF TERRY HUGHES

25 MR. HUGHES: Good afternoon, my name's Terry

1 Hughes. I'm the director of procurement for Bekaert
2 Corporation in North America. Our headquarters are located
3 in Marietta, Georgia. Bekaert's the world's leader in steel
4 wire technology and production. We operate five plants in
5 the U.S. and employ more than 1344 American workers. Our
6 normal wire rod usage is approximately 350,000 tons
7 annually.

8 Tire cord is our largest product segment
9 consuming one-third of our total rod purchases. Sales to
10 the automotive sector account for about half of our total
11 wire sales and the remainder goes to agricultural,
12 construction, fencing, energy, and the utility segments of
13 the U.S. market.

14 Automotive markets perform well throughout 2016
15 and 2017 and are projected to remain strong next year. Our
16 capital expenditures related mainly to - related mainly to
17 investments in tire cord production have been substantial.
18 For example, Bekaert recently invested several million
19 dollars in our Rome, Georgia facility, which uses steel tire
20 cord wire rod to produce material for the North American
21 tire and reinforced hose markets.

22 To meet growing demands from the tire
23 coordinator or tire manufacturers, Bekaert has also planned
24 a major expansion in the Rogers Arkansas plant which would
25 have increased North American tire cord production capacity

1 by 50 percent and add over 100 new jobs.

2 However, this and other investment plans in
3 North America have been cancelled until a more stable and
4 predictable trade environment exists in the U.S.
5 Undertaking such commitments does not make sense because if
6 the steel tire cord wire rod will not be available from
7 basic oxygen furnace or BOF suppliers, or if our costs of
8 procurement becomes too great, making Bekaert uncompetitive
9 compared to imported products both intermediate and
10 finished.

11 Our customer specify BOF material because the
12 BOF process produces a very pure input from coal and iron
13 ore. In other words, the BOF steel does not have high
14 residuals or tramp elements while mechanical properties are
15 highly consistent.

16 In contrast, electric furnace, electric arc
17 furnace production or EAF uses high volumes of scrap as
18 their input and are very susceptible to high residual
19 elements causing the material to become brittle in the
20 drawing process. This causes fractures or premature
21 failures resulting in potential injury and possible loss of
22 life.

23 Steel tire cord wire rod used in the manufacture
24 of tires and high pressure hoses must be BOF to work at peak
25 performance. We purchase about one-half of our total wire

1 rod requirements from U.S. mills, including all four
2 petitioners. The actual problem is the domestic mills
3 cannot produce 1080 steel tire cord wire rod with the
4 quality necessary to fine draw these products to meet our
5 requirements.

6 Fine drawing means that the wire rod is reduced
7 by 90 percent of its original size. The production process
8 for all domestic wire rod facilities uses electric arc
9 furnaces. EAF mills use inconsistent scrap from shredded
10 cars, refrigerators, and other types of waste products that
11 introduce unwanted elements, which could be hazardous in the
12 melt.

13 The high residual elements found in domestic
14 grades from the EAF process, along with higher nitrogen
15 copper causes the material to become brittle earlier in the
16 drawing process. This causes fractures and premature
17 failures of the tire cord and possible loss of life and
18 injury to the public.

19 Bekaert has tried to develop sources in the
20 United States for this wire rod, but currently no domestic
21 producer is qualified to make 1080 steel wire rod. It takes
22 roughly two years to qualify a new supplier of steel tire
23 cord wire rod. It is a demanding process because these
24 products go into high liability downstream markets like
25 automobile tires and high pressure hydraulic hoses.

1 tire cord and bead wire that is acceptable to the tire
2 manufacturer.

3 As a practical matter, production of this wire
4 rod requires blast furnace production. Kiswire America was
5 established in 1999 and now operates four plants with a
6 capacity of 115,000 tons. Kiswire America employs 592
7 workers. We have two bead wire plants and two tire cord
8 plants, which are located in South Carolina and Arkansas.
9 We have invested \$250 million in these plants and we're
10 investing an additional \$50 million to expand the tire cord
11 production which has been suspended as a result of this
12 case.

13 Kiswire America position is that the Commission
14 should find that 1080 grade wire rod for tire cord and bead
15 wire is a separate like product from other wire rod. We
16 agree with the definition of the product that's described in
17 the prehearing staff report.

18 In its preliminary determination, the Commission
19 went through the like product factors it considers and found
20 that the wire rod is made up of a number unique product
21 requiring an exacting specification and there are no clear
22 dividing lines between 1080 - grade 1080 for tire cord and
23 bead wire and other specialty grade wire rod.

24 But in reaching this conclusion, the Commission
25 dismissed the fact that this grade can only be made in a BOF

1 facility and found that this fundamental fact is legally
2 irrelevant.

3 With all due respect, one consistency of the use
4 of the EAF's facilities by U.S. producers is that it has
5 enabled them to compete deficiently for other specifications
6 of wire rod including various specialty products.

7 However, the other consistency that they cannot
8 and do not produce great 1080 for tire cord and bead wire in
9 sufficient quality and quantity. And if that isn't a clear
10 dividing line, then what is?

11 It takes roughly six months to one year for a
12 tire company to approve bead wire and two or more years to
13 approve steel cord. We have worked with various domestic
14 suppliers in the U.S. to qualify them to produce 1080 grade
15 rod for tire cord and bead wire. Those efforts have been
16 unsuccessful. We have attempted to qualify our Gerdau
17 Ameristeel, Arcelo Mittal, Georgetown, and EVRAZ Rocky
18 Mountain. We work for - worked with EVRAZ for one and a
19 half years before discontinuing.

20 And while some of these producers can and do
21 produce lower grade than wire rod for tire cord and bead
22 wire, in the range of 1060 and 1070, they have been unable
23 to consistently produce grade 1080 in the quality and
24 quantity required and then they have done so using BOF
25 billets.

1 U.S. manufacturers of tire cord and bead wire
2 require carbon wire rod of 0.8 percent carbon and higher, 5
3 millimeters of 6.5 millimeters in diameter, that is cleaned
4 of other metals and have a smooth finish free of defect. We
5 reduced the 5 millimeter wire rod to ranges of 0.15 and
6 0.20. That is 90 - that is a 97 percent plus reduction in
7 area.

8 In order to perform this reduction and achieve
9 the correct physical property, the rod must not have
10 impurities and the surface must be free of all defects.

11 So while there is grade 1080 produced for PC
12 strain in large diameters, different chemistries and
13 different mechanical property, these wire rods are not
14 useable for tire cord and bead wire. And while EVRAZ can
15 and has used imported BOF billets to produce limited
16 quantities of grade 1080 wire rod for tire cord, the fact
17 that these are the methods required further reinforce that
18 this product is different from all other wire rod in the
19 U.S. industry. Moreover, the quantity of billets available
20 is extremely limited.

21 Tire cord capacity in the U.S. currently stands
22 at an approximately 170,000 ton and growing. We demand of
23 approximately 350,000 ton. Not only are U.S. producers
24 limited in their ability to produce grade 1080 for tire cord
25 and bead wire, but only a handful of steel producers in the

1 world are qualified to produce the quality of wire rod that
2 can be drawn down to 0.15 millimeter.

3 Regardless of whether or not they have BOF
4 facilities, without access to grade 1080 wire rod for tire
5 cord and bead wire, our U.S. facilities have no reason to
6 exist. Thank you.

7 STATEMENT OF DR. KIHOO RHEE, PH.D

8 MR. RHEE: Good afternoon, my name is Dr. Kiho
9 Rhee. I'm the quality engineer for POSCO.

10 POSCO first began trying to make tire cord wire
11 rod in 1995. It took us over five years to finally arrive
12 at production standards that yield a high quality output on
13 a consistent basis. Our own history illustrates why U.S.
14 wire producers still cannot consistently achieve the
15 demanding standards that the tire cord wire makers insist
16 upon.

17 The Commission is considering whether U.S.
18 producers are able to produce tire cord wire rod using steel
19 billets that have been produced in electric arc furnace.
20 Actually, it is directly possible to do this, but using
21 electric arc furnace greatly compounds the practical
22 difficulties of producing wire that can be used to make tire
23 cord.

24 I want now to discuss the major difficulties
25 that POSCO itself has encountered when using steel produced

1 in its own basic oxygen furnaces.

2 It is essential to first understand that the
3 wire used to produce tire cord is extremely thin. It
4 typically ranges from 0.15 millimeters to 0.4 millimeters in
5 diameter. This wire must be extremely strong in order to
6 withstand the stresses that a high performance tire performs
7 under.

8 However, when wire rod is being drawn into wire
9 that is so thin, it can break due to numerous factors. For
10 example, the use of high carbon steel increases the
11 possibility of breakage during drawing. We also experience
12 failures in our initial product - production efforts
13 because the ladles in which molten steel was poured were
14 lined with refractories that contained excess amounts of
15 aluminum. The presence of aluminum also causes excessive
16 breakage during the wire drawing process.

17 A second problem is nonmetallic inclusions in
18 the steel. These inclusions, if not minimized, can cause
19 defects, break or tears during the rolling or wire drawing
20 process.

21 A third problem is segregation. Segregation is
22 what happens when the carbon content of the billet is not
23 spread evenly.

24 A fourth problem is excess impurities in the
25 molten steel. Such as excess amount of copper, nickel,

1 chromium, vanadium, and titanium. This leads to
2 difficulties in the draw ability of the rod into wire as
3 well as excess breakage. Other problems include surface
4 defects, inconsistency in the diameter of the finished rod,
5 and excess surface - Sulphur and phosphorous.

6 It took POSCO many years, substantial
7 investments and production techniques and countless trials
8 and errors to reach the point where we are now able to
9 successfully address all these problems and satisfy our
10 customers.

11 And it typically takes at least two to three
12 years for our tire cord wire rod to become qualified. In
13 fact, tire cord wire rod is far more difficult to produce
14 than any other wire rod product that POSCO makes such as CHQ
15 and bearing steel.

16 All of these problems and many more exist with
17 electric arc furnace process. For example, the use of scrap
18 produces less clean steel than the BOF process. Although
19 there are techniques to minimize this significant problem
20 such as the addition of direct reduction iron in the steel
21 making process, it is far from a complete solution.

22 Electric arc furnace technology has been
23 available for a long time. The fact that just one or two
24 U.S. producers may have sold tire cord wire rod proves just
25 how difficult it is to produce this type of product.

1 sold as original equipment on new vehicles and over 80
2 percent of tires that are sold as replacement tires for
3 those vehicles.

4 Our members have a direct interest in this
5 investigation and I would just like point out, I've provided
6 some show and tell to you up front. Those are examples of
7 the wire - of the tire cutaway. You can see where the wire
8 is used in the tires. If you look at the larger one, the
9 bead that's sticking out from it is the bead wire that has
10 been discussed today and the various layers that you see on
11 that sample constitute the various layers of tire
12 construction.

13 The lighter colored layers are made of fabric.
14 This is a passenger car tire example, but in a truck tire,
15 all of those layers would be made from steel. But you can
16 see there are two different layers of steel in that tire and
17 that's what contains the tire cord that's the subject of
18 this investigation. So hopefully, that's helpful to you to
19 see what exactly we're talking about here today.

20 Virtually all of that wire rod, as you've
21 heard discussed here, is provided from foreign sources, and
22 I probably don't need to further expand on all of the
23 testimony that's been provided on those topics.

24 But experience has shown by our members that
25 the stringer performance requirements and quality

1 requirements of tire manufacturers simply can't be met by
2 domestic sources. These limitations are so stark as to
3 establish a clear dividing line to establish a Grade 1080
4 and higher tire cord and bead wire quality wire rod as a
5 separate like product from steel rod for purposes of this
6 inquiry, and we ask you to treat them as a separate like
7 product.

8 Tires contain a number of highly engineered
9 components, including high carbon steel. The steel wire in
10 tires is made from this highly specialized product, and it
11 is really demanded by the high performance requirements in
12 tires. Interestingly, there was a discussion earlier this
13 morning about what has changed since 2002, and there have
14 been a couple of critical factors that have actually changed
15 since 2002 in terms of tire specifications.

16 First of all, in 2000 Congress mandated that
17 tires be changed as far as tire engineering or performance
18 requirements. Those standards went into place ironically at
19 the end of 2002, and for all tires that are sold at - were
20 sold after 2009, September 2009, much more stringent
21 requirements are in place for those - for tires to perform,
22 and those requirements specifically demand a higher grade of
23 steel in order to cause tires to perform and meet those test
24 requirements.

25 In addition, during that same time both

1 vehicle manufacturer demands and federal demands for
2 increased fuel economy of vehicles have demanded that tire
3 manufacturers produce lighter products, and this higher
4 grade steel enables them to produce a lighter product that
5 can achieve higher fuel economy on vehicles and maintain the
6 performances that the tire is required to perform.

7 In 2016, our member companies consumed
8 approximately 429,262 metric tons of tire cord and bead
9 wire, which equates to about four pounds in an average
10 passenger tire and about 20 pounds in an average truck and
11 bus tire. This total volume, however, is only about 0.3
12 percent of global crude steel production.

13 So it's a very small percent of overall steel
14 production, and I think as we heard this morning from
15 Petitioners, it's a very small percent of the subject
16 material here. However, for the tire industry this is the
17 entire thing, and this is required in tires to make them
18 perform here in the U.S. to our requirements.

19 Adherence to the standards I mentioned earlier
20 necessitates tire construction to be robust, puncture
21 resistant and resistant to the effects of load and heat,
22 demanding high quality materials including this high carbon
23 steel. Additionally, truck and bus tires must meet customer
24 and vehicle requirements for substantial load-carrying
25 capacities to meet the demand of a diverse array of

1 vehicles.

2 As well, passenger and light truck and
3 truck/bus tires are designed to contribute to the vehicle
4 fuel economy, as I mentioned, and that reduced weight allows
5 them to do that. The wire subject in this investigation is
6 really critical to tire safety and performance.

7 Given the unique needs of our members, tire
8 manufacturers to have a consistent, continuous supply of
9 tire cord and bead wire made from this high quality steel,
10 we ask that you do treat this material as a separate like
11 product for purposes of this investigation. We believe that
12 this product meets the Commission's traditional multi-factor
13 test for a case-by-case determination in your product
14 analysis, and we'd be happy to provide more detail on that
15 in post-hearing comments.

16 Anti-dumping or countervailing duties on these
17 products would have no impact on Petitioners' performance
18 and sales, I think as we heard this morning while
19 significantly disrupting the production of tires in the
20 United States, due to quality and supply limitations in
21 domestically producing Grade 1080 steel for tire
22 manufacturing. The disruption in tire manufacturing in the
23 United States would harm the U.S. economy, since consumers
24 and businesses depend on a reliable supply of tires to
25 safely move goods and people throughout the country.

1 We ask that the Commission find a separate
2 like product in this case and as a consequence absence of
3 causation of injury or threat of any domestic injury by
4 reason of imports of that product. Thank you.

5 STATEMENT OF SEBASTIAN FREY

6 MR. FREY: Good afternoon. My name is
7 Sebastian Frey, and I'm here today to present testimony on
8 behalf of the Turkish Steel Exporters Association. I'm the
9 vice president for Long Products of Tata International and
10 Metals Americas. I've been with Tata International for nine
11 years, and in the steel-trading business for 20 years, of
12 these, 15 in the U.S.

13 In those past 15 years, I've largely focused
14 my efforts on wire rods and as such I'm very familiar with
15 the product and industry in the U.S., as well as globally.
16 As I understand it, the Petitioners' case is that even
17 though the U.S. wire rod opened up after China stopped
18 exporting, the U.S. industry did not benefit because the
19 subject imports rushed in to fill the void with a flood of
20 low-priced and snapped up market share that would have
21 otherwise gone to the domestic industry.

22 The domestic industry claims it is being
23 injured because subject imports prevented its recovery from
24 the damage caused by Chinese imports. The Petitioners'
25 arguments ignore the fundamental fact that there is not

1 enough wire rod available from domestic sources to satisfy
2 U.S. demand. For example, in 2016 total theoretical U.S.
3 production capacity was around 4.8 million short tons.

4 Actual U.S. production was considerably less,
5 by my estimate approximately 3-1/2 million tons, while
6 demand or consumption was about 5.3 million tons. Even if
7 every U.S. producer was running full steam at a capacity
8 utilization rate of 100 percent, the industry would not be
9 producing anywhere near the amount of wire rod needed to
10 supply the demand.

11 Imports have always been a significant
12 presence in the U.S. market, simply because U.S. producers
13 lack the capacity to meet total demand. The principle
14 factor in purchasers' decisions to buy imports is not price,
15 it is availability. For example in 2015, the year of the
16 POI when the volume of imports from Turkey were at their
17 highest, was the year where Turkish profit margins on U.S.
18 sales were also very heavy.

19 That was also the year that imports from China
20 disappeared from the market, leaving U.S. purchasers
21 scrambling to find alternative sources of supply. So in the
22 case of Turkish imports, the principle factor driving their
23 presence in the market was the fact that they were available
24 to fill orders for products previously supplied by China,
25 and that were not available from domestic sources. Once the

1 market stabilized in 2016, the level of Turkish imports
2 fell.

3 Customers often face in steel pricing, which
4 are largely beyond their control. At the same time, they
5 have to plan and budget for projects that lock in their
6 sales price for longer periods. By buying imported rods
7 they are effectively hedging their risk of price swings as
8 to the price agreed on Day 1 while the rods arrive about
9 three months later.

10 That allows them to plan better and more
11 efficiently. U.S. rod consumers generally prefer to buy
12 domestic rods not only for patriotic reasons. When they opt
13 for imported rods instead, they generally have to buy larger
14 increments of steel, which leads to bloated inventories and
15 stretches their financial abilities.

16 As a rule of thumb, imported rods generally
17 have to be attractively priced in order to fulfill the
18 requirements of U.S. purchasers. Transportation costs of
19 imported rods are up considerably, amounting to roughly ten
20 percent of material value. U.S. domestic industries don't
21 have these costs, which in turn provides a natural defense
22 against imports.

23 In this light, imports from Turkey should be
24 seen as an example of efficient production and distribution,
25 as demonstrated by the low preliminary AUV margins from the

1 Commerce Department. In conclusion, I believe that the key
2 factor to consider is the limited availability of domestic
3 rods, not the price. I'm confident the Commission will come
4 to the same result that the U.S. wire rod industry is not
5 being injured by imports from Turkey. Thank you for your
6 attention.

7 STATEMENT OF NANCY NOONAN

8 MS. NOONAN: My name is Nancy Noonan from the
9 law firm of Arent Fox. I am here today on behalf of Turkish
10 exporters and producers. If the Commission conducts a
11 threat determination, imports from Turkey should not be
12 cumulated with imports from other countries, and imports
13 from Turkey do not threaten the U.S. industry with material
14 injury.

15 Imports into the U.S. of wire rod from Turkey
16 peaked in 2015, but declined by more than 60 percent in
17 2016, before the petition was filed in March of 2017.
18 Projections for 2017 and 2018 are 100,000 short tons less
19 than the 2015 peak. The share of quantity by percentage of
20 imports accounted for by imports from Turkey decreased by
21 more than 50 percent in 2016 from their 2015 levels, and
22 this trend is different from the import trend of other
23 subject countries.

24 The strong home and regional markets for
25 Turkish products decreased the incentive to ship product to

1 the United States. Turkish producers maintained high
2 capacity utilization levels throughout the POI, and are
3 projected to run at 87 percent or more capacity utilization
4 in 2017 and 2018, while decreasing exports to the U.S.

5 Regarding underselling, the imports from the
6 subject countries have varying margins of underselling, but
7 overall imports from Turkey had the lowest average margin of
8 underselling. In fact in 2015 when imports from Turkey were
9 at their peak, the levels of overselling for product from
10 Turkey were also at their highest.

11 Finally, imports from Turkey are unlikely to
12 suppress or depress prices in light of the projected
13 relatively low shipment volumes for 2017 and 2018. The
14 overall decline in shipments to the U.S., the high capacity
15 utilization and the strength of the home and export market
16 support a finding that imports from Turkey do not threaten
17 the U.S. industry with material injury. This concludes the
18 panel's presentation.

19 MR. CUNNINGHAM: Not quite. If I may, we have
20 a couple of minutes left. I would like to make one more
21 point. So much of this case and the discussion is focused
22 on the question whether you should look in terms of volume
23 and market share analysis to the entire industry. You have
24 to look at the entire industry on whether you can take into
25 account the fact that two plants closed for reasons not

1 related to imports.

2 It has been said by the Petitioners that the
3 Commission has always looked at the entire industry. Well
4 not for that purpose, and we cite at pages 7 to 8 of our
5 prehearing brief, the British Steel brief, a series of
6 decisions in which you've said quite rationally that where
7 U.S. shipments and U.S. market share declined because there
8 is a decline and a falloff from plants that have closed for
9 reasons other than imports, you can look separately at the
10 other producers.

11 Let me give you an example just to make it
12 clear why that must be the case. Let's suppose you have one
13 producer, one large producer whose plant burns to the
14 ground, and you look at the imports. You look at the U.S.
15 shipments and you look at the market shares, and you see
16 that if you look at the whole industry, shipments are down
17 and market share is down.

18 But once you factor out the plant that clearly
19 did not close because of imports because it burned to the
20 ground, then U.S. shipments are up and U.S. market share is
21 up. It makes no sense to look at it any other way than to
22 say we're going to look at the part of the industry that
23 could have been affected by imports. We're going to look at
24 an analysis of imports, of shipments and market share on the
25 basis of those other facilities that were not affected by

1 the non-subject import cause, namely the plant burning
2 down.

3 You have done that in at least three cases
4 that we cite, and you should do that here. That we will now
5 shut up, and that concludes our presentation.

6 CHAIRMAN SCHMIDTLEIN: Okay, thank you very
7 much. I'd like to thank all of the witnesses on this
8 afternoon's panel as well for being here today, and I will
9 begin the questioning. So with regard to your position that
10 imports had nothing to do with ArcelorMittal's decision to
11 shut down, just so I understand, why do you think that at
12 the time in May or actually they announced it sooner than
13 that, but these documents are dated in May I think, yeah
14 2015, that they cite imports as one of the reasons. Is that
15 just - are they lying or -

16 MR. CUNNINGHAM: Let me - I never like to say
17 that people lie. People have purposes in saying things and
18 one takes those purposes into account. That's not our
19 point. I think it's important for you to look at this as an
20 issue the way you phrased it. That is, did it not - did
21 imports have some injurious effect on ArcelorMittal's
22 operation. They might have.

23 The question for you in terms of your analysis
24 of the trend of U.S. shipments and the trend of U.S. market
25 share is did imports cause the plant to shut down? This was

1 a plant that -

2 CHAIRMAN SCHMIDTLEIN: Don't we just have to
3 find that they were a cause?

4 MR. CUNNINGHAM: Oh, I think -

5 CHAIRMAN SCHMIDTLEIN: To be able to find that
6 they are -

7 MR. CUNNINGHAM: You're not dealing with the
8 statutory standard of what is a cause of injury. This is
9 not an analysis of whether that plant was injured. This is
10 an analysis of why did that diminution of shipments caused
11 by the - resulting from the exit of the plant, why did that
12 happen? You should -- it is in my mind primarily a but
13 for type of thing. Do you see that that plant but for some
14 cause would have continued in operation? One clear but for
15 here is that the harbor went silted over and they couldn't
16 do it.

17 CHAIRMAN SCHMIDTLEIN: Okay. But if overall
18 the material injury requirement is not a but for test, you
19 know, you have to show that it's a cause. It doesn't have
20 to be the only cause, it doesn't have to be the primary
21 cause. So why would we - why would we apply a more
22 stringent standard of this question, of whether or not to
23 include a member of the domestic industry in the analysis of
24 impact?

25 MR. CUNNINGHAM: First of all, you're not

1 excluding them from the industry. You might well find that
2 there were adverse price effects on that plant, on that
3 operation for example.

4 CHAIRMAN SCHMIDTLEIN: But you want us to
5 exclude them for purposes of determining market share?

6 MR. CUNNINGHAM: Of market share and volume,
7 because go back to the plant burning down. Let's suppose
8 this was ArcelorMittal, and that ArcelorMittal had problems
9 with imports at that plant, but the plant burned down. I
10 think that's just what did happen, not that it burned down,
11 but it couldn't operate because the harbor was unavailable
12 to it, and it would have cost 50 to 60 dollars a ton to
13 bring that - the DRI into plants nearby, into harbors
14 nearby in Charleston or there's one to the north.

15 CHAIRMAN SCHMIDTLEIN: So why is Libertyhouse
16 thinking of buying them then, if the harbor presents such a
17 problem for wire rod manufacture there? Aren't they going
18 to have the same transportation cost issue?

19 MR. CUNNINGHAM: First of all, it doesn't look
20 like that's going to happen, but you can look at the
21 articles. It doesn't really look like that's going to
22 happen. They probably think they can get the harbor
23 dredged, I would think. But let me ask the others on the
24 panel. They know more about this than I do.

25 MR. STAUFFER: So Christian Stauffer with

1 Insteel. So we have four plants in proximity to Georgetown
2 at the time of the closing, two in Florida and one in North
3 Carolina and one in Tennessee. We drew heavily from the
4 mill probably 30 percent of their production. In the
5 leading up time to that closure, with their senior
6 management they were very open to us saying this is going to
7 happen and we needed a transition strategy.

8 Losing that much tonnage in a particular month
9 by surprise would have been a bigger penalty. So then the
10 coordination with that and over the months leading up to
11 that, it was made clear to us that the position that the
12 mill was in logistically was going to be difficult to
13 continue to operate. In addition to that, you have the
14 Nucor Darlington mill coming up at about the time that
15 Georgetown mill is going down.

16 So someone at Nucor made a very good economic
17 analysis that said even based on the POI and the imports and
18 where they're coming from and wherever, let's build a mill,
19 and in fact build a more efficient mill that essentially
20 makes Georgetown redundant into that. It's been in our
21 interest to contact the Libertyhouse and say anybody want to
22 talk to us about restarting that mill?

23 The best I could do in the coordination to
24 that was to find a source in the U.S. who is an equipment
25 buyer of mills in order to reuse the equipment somewhere

1 else. Now I can't allege that that's Libertyhouse's
2 position here, and if you follow the news, because this is
3 very important to us, you'll see that there's local problems
4 in Georgetown for doing this. They would probably rather
5 not have a steel mill there, and citing many other
6 difficulties built around that.

7 The point I also want to make is the tonnage
8 that we bought from Georgetown we didn't buy - we bought
9 the same -- we're buying essentially the same amount from
10 Nucor, and none of it has replaced an import ton or been in
11 competition with an import ton. Our company has a concrete
12 construction applications in Buy America, Buy American. We
13 have to buy domestic rod.

14 We need another domestic source. That
15 transition was made, and import into terms of our program,
16 30 percent of the Georgetown portfolio, never had an import
17 component to it that we would ask them to meet or be
18 competitive with.

19 CHAIRMAN SCHMIDTLEIN: Okay. So -

20 MR. WAITE: Madam Chair, if I could go back to
21 your original question, this is Fred Waite, general counsel
22 for the American Wire Producers Association.

23 If I may go back to your original question and
24 also supplement what Mr. Stauffer just said, there were
25 contemporaneous communications between ArcelorMittal and

1 Insteel before and during the time of the announcement of
2 the closure, which identified reasons which were very
3 different than imports as the factors leading to that
4 decision. You will find those in Confidential Exhibit 8 to
5 the AWPA prehearing brief. Thank you.

6 CHAIRMAN SCHMIDTLEIN: Okay. All right, thank
7 you.

8 MR. CUNNINGHAM: Could I ask - two more very
9 quick points to this.

10 CHAIRMAN SCHMIDTLEIN: Okay.

11 MR. CUNNINGHAM: Think of those two quotations
12 they put up on the screen, one from ArcelorMittal and one
13 from Republic. Read the ArcelorMittal one carefully. It's
14 not at all clear whether they are talking about the damage
15 was done - had been done to that point by Chinese imports
16 or by subject imports. It is not an explicit subject
17 imports did us in statement.

18 CHAIRMAN SCHMIDTLEIN: Well that was my next
19 question. Do we - in January of that year, we made a
20 determination that Chinese imports were injuring the
21 domestic industry, of which ArcelorMittal was a member of at
22 that time, and then five months later they announced that
23 they're closing. In the meantime that, you know, from '14
24 to '15 is the greatest increase in the subject imports of
25 this case.

1 So for you all to say imports were at large,
2 now maybe you're now drawing the distinction between Chinese
3 and what's subject of this case, had no impact. I mean for
4 us to say that, wouldn't we have to disregard the decision
5 in January of 2015?

6 MR. CUNNINGHAM: No, no.

7 You didn't make a decision in January as to
8 subject imports.

9 CHAIRMAN SCHMIDTLEIN: No, I know. So you're
10 now you're drawing a distinction. So it wasn't - it was
11 Chinese imports played a role, but not these ten countries?

12 MR. CUNNINGHAM: It's hard to tell from the
13 Mittal statements. That's all I'm saying to you. When you
14 say am I calling them liars for what they said, what I would
15 say to you that what they said looks ambiguous to me.

16 CHAIRMAN SCHMIDTLEIN: So what do you -
17 what's your position on whether or not Chinese imports
18 contributed to the decision of ArcelorMittal to close?

19 MR. CUNNINGHAM: It's hard for me to say,
20 because I really think that the factor that did it was the
21 inability to use the port. I think that was the
22 decision-making factor, and others might have contributed,
23 but that's not what you need to decide. You need to decide
24 would that plant have closed, just as in the fire example.

25 It doesn't matter whether there were other

1 things that were hurting the company before the plant burned
2 down. The plant closed because of the fire. I think the
3 situation is much more reasonable to conclude here that the
4 plant closed because of the silting problem and the
5 inability to get the - either the federal government, the
6 Corps of Engineers or the Georgetown City to dredge it.

7 But the one other point I want to make is
8 think also about Republic, because if you look at the
9 attachment to Mr. Trendl's statements, either eliminating
10 either of those two companies from your consideration of the
11 trend of imports on market share means there was no decline
12 in U.S. market share, U.S. industry market share.

13 So and I think there's no case to be made that
14 the Republic plant closed because of subject imports. It
15 was a bar mill. It was a bar import problem, and also I
16 would suggest that when you look at the Republic
17 questionnaire response - they didn't file one in the final
18 investigation but they did in the preliminary investigation
19 - as to their wire rod operation at that plant, you will
20 not see in that the type of economic problem with their wire
21 rod production that would warrant a plant closure, even if
22 it had been a much larger portion of the company's
23 production there, and it was very small.

24 So it seems to me that if you've got Republic
25 out, then the market share issue is closed anyway.

1 CHAIRMAN SCHMIDTLEIN: Okay. Let me ask one
2 more question. My time is up and then I actually have to
3 leave. So Mr. Frye, Frey, you testified that in your view
4 the domestic industry did not have the capacity to supply
5 the demand in the U.S. market?

6 MR. FREY: That is correct.

7 CHAIRMAN SCHMIDTLEIN: Okay. So if that's the
8 case and imports are being pulled into the market, why do we
9 see so much underselling?

10 MR. FREY: Well -

11 CHAIRMAN SCHMIDTLEIN: I mean this is a highly
12 substitutable product. You're saying the supply here is not
13 enough, so if the purchasers absolutely need it, why would
14 you undersell to the extent we do and it's extensive in the
15 staff report?

16 MR. FREY: I think underselling is to be
17 understood as imported rods are cheaper than domestic rods?

18 CHAIRMAN SCHMIDTLEIN: Yes. They were selling
19 it at world price.

20 MR. FREY: I think the distinction is between
21 U.S. domestic prices for steel, for wire rods versus global
22 prices. The price for imports is primarily set on the
23 global, like for imports, you have different choices where
24 you can buy say from the Ukraine, from China, and only the
25 best, most competitive price will get the order.

1 So import sources compete amongst themselves,
2 and this is how prices are being set. Traditionally, rod
3 prices in the United States tend to be higher because of,
4 you know, different relationships and different costs to
5 their customer, and they were able to gather more of a
6 price. I have to say though right now import prices are
7 actually indeed higher than domestic prices. So there is an
8 inversion happening at this point.

9 CHAIRMAN SCHMIDTLEIN: Is that because of the
10 preliminary duties?

11 MR. CUNNINGHAM: You must also remember - you
12 must also remember that these imports had just come through
13 a period where they had lost significant U.S. market share
14 to Chinese imports. If you look at the page/slide 22,
15 you'll see the period before 2013, which is eliminated from
16 Slide 2, a very manipulative slide, Slide 2.

17 And so obviously these were imports that had
18 just gone through a period of having had to compete with
19 Chinese import prices, and they're going through a period of
20 getting those prices back up and now apparently they have
21 done so.

22 CHAIRMAN SCHMIDTLEIN: Okay.

23 MR. STAUFFER: Stauffer, Insteel. Can I just
24 add something to that. I think if you look at the filing in
25 total, you've got ten countries, you've got 25 mills.

1 You've got a very good cross-section of what the global wire
2 rod market looks like at any given time in this analysis.
3 So it's not a function necessarily of what is the price in
4 the U.S., let's get under it. It's a question of what does
5 the global market think is a reasonable return for their
6 products as they compete globally.

7 Clearly, the Italians are competing with the
8 Ukrainians, and the Ukrainians are competing with the
9 Russians.

10 CHAIRMAN SCHMIDTLEIN: But wouldn't they want
11 to make more, I mean if they could and they're being pulled
12 into the market?

13 MR. STAUFFER: Yeah, if they could. But the
14 global market has a limit on what that is, and that's a
15 function of all those - all those countries looking at what
16 a reasonable rate of return, setting the market price and
17 getting in it. As Mr. Frey's pointed out, that's no longer
18 the case. That market, because of other global metallics
19 units, etcetera, has risen and we would find ourselves in a
20 different market today.

21 So taking a snapshot of the global market in
22 the Period of Investigation and saying that's injury -

23 CHAIRMAN SCHMIDTLEIN: Can you just spell that
24 out a little bit more. When you say "the global market is
25 limiting the price that those producers can sell into the

1 U.S. market"? So the U.S. buyers are purchasing from these
2 various countries, and you're saying that there's a global
3 price? I guess I'm just not quite following.

4 MR. STAUFFER: Yeah.

5 CHAIRMAN SCHMIDTLEIN: Maybe this is an
6 economic argument that's a bit over my head.

7 MR. STAUFFER: Oh okay. To the extent that I
8 can, there is, as you pointed out, this is a fungible
9 product across the world. Everybody can make it. So if you
10 have an opportunity to export it, you will enter the global
11 market and you'll have to be competitive to do that. If you
12 want to sell rod in the global market you must be
13 competitive. What you're saying in the U.S. imported prices
14 is the effect of the global market on access to that
15 material, on access to -

16 CHAIRMAN SCHMIDTLEIN: So you're just pointing
17 out that the importers are competing with each other?

18 MR. STAUFFER: Yeah.

19 CHAIRMAN SCHMIDTLEIN: That's what you're
20 saying. Okay.

21 MR. STAUFFER: That's the market. That's not
22 let's find a U.S. price and see how low we can get it. It's
23 a function of the global market. Now the Chinese, as you
24 pointed out in 2014, had a big play in that market and they
25 still do. So these folks that are coming in here now are

1 competing with China in their markets, and the Chinese have
2 set the global market for wire rod.

3 That issue goes to the finished products that
4 we're talking about, because everybody else that's making
5 finished wire products around the world that Ms. Korbel put
6 up on the slide here at Wal-mart, are using rod priced at
7 the global level. The Chinese level and all the other
8 countries doing that have the benefit of that. We're denied
9 that based on this filing.

10 CHAIRMAN SCHMIDTLEIN: Okay. There was
11 somebody in the back.

12 MR. CONNELLY: Yeah. Warren Connelly, counsel
13 for POSCO. I just want to make a point about the pricing of
14 tire cord. Tire cord is not a fungible product. It's not
15 made by everybody around the world. The testimony was it's
16 a handful of companies that can make it.

17 We have given you the confidential commercial
18 shipment prices in our brief, and we just direct the
19 Commission's attention to it because you will see no adverse
20 price effect from subject imports from tire cord and tire
21 bead.

22 CHAIRMAN SCHMIDTLEIN: Okay, all right. Thank
23 you very much.

24 MS. KORBEL: Madam Chair, Kimberly Korbel from
25 the AWPA. We regret that you have to leave, and if you have

1 questions for the AWWPA purchasers, we're happy to respond to
2 any written questions you might want to send our way.

3 CHAIRMAN SCHMIDTLEIN: Okay. Thank you very
4 much. Yes, I will review the rest of the transcript, so
5 Vice Chairman Johanson.

6 VICE CHAIRMAN JOHANSON: Thank you, Chairman
7 Schmidtlein and thanks to all of you for appearing here
8 today. What authority is there for the proposition that
9 unfairly traded imports cannot cause injury when they
10 replace existing unfairly traded imports, and why is this -
11 why is the Petitioners' theory in this case wrong in your
12 view?

13 MR. CUNNINGHAM: There's direct view. You've
14 told - you've done it in several cases. They're cited on
15 pages 19 to 20 of our brief, Butwell - excuse me - there's
16 Butwell Pipe Fittings and Polyvinyl Alcohol, cases like
17 that, where you say that where they replace subject - where
18 they replace non-subject imports, even where the decline in
19 non-subject imports occurred as a result of imposition of
20 anti-dumping and countervailing duties orders, that
21 nevertheless they are not injuring the U.S. industry;
22 they're injuring - they're taking market share from other
23 non-U.S. competitors.

24 And that makes sense. It makes sense because
25 the - particularly in the facts of this case it makes

1 sense, because Chinese imports came into the marketplace and
2 displaced not only U.S. production, but subject import
3 production. A significant part of the - if they had
4 completed that chart on Slide 2, you would see that.

5 And so that fact, plus the fact that the U.S.
6 industry took a greater percentage of the Period of
7 Investigation decline in Chinese imports than did subject
8 imports, seems to me to make this case particularly
9 appropriate to apply the same rule that you applied in
10 Butwell Pipe Fittings and Polyvinyl Alcohol and probably
11 some other cases we haven't found yet.

12 VICE CHAIRMAN JOHANSON: But if once again if
13 you have unfairly traded imports replacing unfairly traded
14 imports, then there cannot be injury?

15 MR. CUNNINGHAM: If you have other - you are
16 not taking sales away from the domestic industry. It's not
17 - it doesn't have anything to do with what is the nature -

18 VICE CHAIRMAN JOHANSON: But you could be
19 taking -- you could be taking sales away from the domestic
20 industry.

21 MR. CUNNINGHAM: That would have to - if you
22 say well, the domestic industry has a right of some sort to
23 get back everything that China had in this market. Look at
24 the figures -

25 VICE CHAIRMAN JOHANSON: That's well -

1 MR. CUNNINGHAM: Let me finish my thought.

2 VICE CHAIRMAN JOHANSON: Okay.

3 MR. CUNNINGHAM: These companies here started
4 out with a certain percentage of the market in the start of
5 the Period of Investigation, 2014. One would have expected
6 that with Chinese imports withdrawing from the market, they
7 would have gotten a percentage of that decline in Chinese
8 imports commensurate with the market share they had before,
9 and they got more than that, substantially more than that.

10 So I don't see a case for saying that - and
11 you could look at Confidential Attachment C to Mr. Trendl's
12 testimony, and you see it's quite dramatic as a matter of
13 fact.

14 VICE CHAIRMAN JOHANSON: Okay. Thanks, Mr.
15 Cunningham. Petitioners have argued that wire rod is a very
16 price sensitive product, and that it only takes one import
17 source to offer lower prices to start a downward spiral in
18 prices, and this is argued at page 31 of Gerdau's brief,
19 quoting the Keystone witness at the staff conference. What
20 is your response to this argument about price sensitivity
21 and the effect of subject import prices in the market?

22 MR. STAUFFER: Okay. So the issue was that an
23 import price quoted in the market is a threat. Is that how
24 I understood the question?

25 VICE CHAIRMAN JOHANSON: Well, basically it

1 only takes one import source to lower prices to start a
2 downward spiral in prices.

3 MR. STAUFFER: Yeah. Well to my experience,
4 the negotiating process takes on a lot of interesting turns
5 as it develops, and what's said at a negotiation process
6 should reflect what's going on in the market, and that's
7 very often the case. But the idea that it starts a downward
8 spiral is really a function of how the domestic industry
9 responds to that.

10 If they want to use that information as a
11 keystone, no pun intended, to have a spiraling market
12 consideration then that's their possibility. I would point
13 out also a consideration, for example, when the domestic
14 industry has indicated that their downstream product
15 producers of like products that we produce don't really
16 amount to much.

17 It only takes Mr. Canosa's mill in Beaumont,
18 Texas, his mesh mill, to announce one price decrease and it
19 will affect the entire Texas market for all the mesh that we
20 sell in that market. So it has that kind of an effect if
21 the pricing in both sides of the equation work to that
22 effect. But it actually would take a transaction, would it
23 not, to ensure that there was in fact that rumor of that
24 price by a small amount would in fact have an impact on our
25 purchasing decision.

1 MR. CUNNINGHAM: If I might add, I would have
2 a little problem with that argument, because of the just
3 undeniable correlation you see between the scrap steel price
4 and the wire rod price. If you look at the Attachment B to
5 Mr. Trendl's testimony which has graphs of the wire
6 rod/scrap steel prices and graphs of each of the pricing
7 product prices, and you see the trends of the - the two
8 trends going down together with the scrap steel price a
9 little ahead throughout 2014 and '15.

10 Then you see the scrap steel price bottoming
11 out at the end of 2015 and starting up, and then immediately
12 thereafter the price of the wire rod goes up. You can also
13 see that at page 16 of our brief in tabular form, but it's
14 quite clear in the graphs. It's hard for me to square that
15 with the idea that you were just quoting Keystone as
16 propounding.

17 VICE CHAIRMAN JOHANSON: Okay, thank you Mr.
18 Cunningham. I appreciate -

19 MR. MOFFITT: My name is Bob Moffitt. I'm
20 with Heico. If I could just add one thing.

21 VICE CHAIRMAN JOHANSON: Yes.

22 MR. MOFFITT: In the 32 years I've been doing
23 this, I cannot think of one instance where a domestic mill
24 has come to me and said I'm going to lower your price
25 because we hear that the import numbers are going down. In

1 fact, a good part of our drawing is on the west coast, and
2 until 1997 there were no rod mills in the western - west of
3 the Rocky Mountains.

4 Oftentimes you would find material coming to
5 the west. It was incremental tonnage in the winter months.
6 They weren't as busy in the Midwest and they would ship
7 west. We did not invent the term "foreign fighters." That
8 was something that the mills came to us when they wanted to
9 offer us an incremental tonnage program or something like
10 that. It was not taking anything away from an import offer
11 that I had. In fact more often than not, I would actually
12 build my inventory because I did not want to suddenly cut
13 off or reduce the orders that I already had on place with
14 domestic mills.

15 I'd be more than happy to share with you folks
16 what I've been paying over the years, and honest to say it
17 has been definitely tied to a domestic market price without
18 any impact whatsoever for imports. I mean we did not on our
19 side create the concept of tying wire rod pricing to the
20 Chicago shred number. That was their idea when the prices
21 were going up. Of course when they go down, they seem to
22 forget that.

23 VICE CHAIRMAN JOHANSON: Okay. Thanks, Mr.
24 Moffitt. Going back to the whole scrap issue, Petitioners
25 argue specifically that unit net sales fell to a greater

1 degree than did raw materials from 2014 to 2016, leading to
2 a decline in the industry's operating income. This is
3 argued in Gerdau's brief at page 37. Is this evidence of
4 price depression? I know you all disagree.

5 MR. CUNNINGHAM: Well I mean, if you look at
6 - again, if you look at Attachment B to Mr. Trendl's
7 testimony, you can see the trend, the correlation is
8 entirely with the scrap steel prices bringing the other
9 price down, and there is also a pretty clear correlation
10 between the trend of COGS and the trend of prices.

11 If I might say one thing on that by the way,
12 there was - maybe I'm just sensitive to criticism, but I
13 was criticized for using irrational things like percentage
14 declines instead of real things like price declines. It's
15 the percentage. It's having the same percentage changes in
16 your costs and your prices that are - that count.

17 So to make that clear, let's suppose you have
18 something that you price at - that you price 120 and you
19 have a cost of 100, and let's suppose that you move, the
20 cost goes up \$20. Now the cost, you started out with a
21 profit margin of 20 percent. Cost goes up \$20. If you only
22 raise the price \$20, your profit margin goes down to 16-2/3
23 percent.

24 But if you raise them the same percentage, you
25 remain - and the same works on the downside. You maintain

1 your profit margin. That clearly is the comparison that you
2 need to make. But look at the correspondence between the
3 actual prices of the pricing products and the prices of the
4 three scrap steel categories, and I think that's a clear
5 correlation and a clear look what's dragging what down and
6 then leading it back up.

7 The other stuff that they cite has sort of
8 mixtures of kind of averages and things like that that seem
9 to me may not give you the same sort of accurate comparison.

10 VICE CHAIRMAN JOHANSON: All right. Thank
11 you, Mr. Cunningham. I appreciate your responses. My time
12 has expired.

13 WW Okay, thank you. I also want to express
14 my appreciation to all the witnesses for their coming today
15 and presenting their testimony. We have just been talking
16 about the relationship between scrap and wire rod, and you
17 made it clear that there's a correlation. But I was
18 wondering is - Petitioners have said subject imports have
19 squeezed the domestic industry profit margins. Are they
20 wrong about that?

21 MR. CUNNINGHAM: I think the price versus COGS
22 has squeezed them to some extent, but that's not saying
23 imports have done that. You have to determine what was the
24 reason for the price change, and we just went through a long
25 discussion of that, and I've bored you all to death now with

1 my view on that. So I'll leave that where it was.

2 COMMISSIONER WILLIAMSON: You're saying it's
3 basically the scrap price? What I'm saying, I guess, does
4 imports have any role in this?

5 MR. CUNNINGHAM: Yeah, I think that's right. I
6 think that's right. With, to some extent, you also had a
7 decline in apparent domestic consumption, which added to the
8 downward pressure on prices. But, you know, it's hard for
9 me to see that there's another cause that's relevant to the
10 price decline, in view of those correlations.

11 MR. JOHNSON: This is John Johnson at Mid South
12 Wire. It may be a math function that you're talking about.
13 If they're using scrap as their base, and scrap lowers and
14 that lowers the purchase price of the material, if you have
15 a set margin on that - if 5% of 25 is less than 25% of 30,
16 if you understand that correlation the way I explained that
17 right. So as the price of the product goes down, if your
18 margin percentage were the same, that percentage of margin
19 becomes less margin to the bottom line.

20 COMMISSIONER WILLIAMSON: Okay. So you're
21 saying that no, the imports - how does that relate to my
22 question about the role of the imports there?

23 MR. JOHNSON: I thought you asked if scrap was a
24 direct correlation, if that had a direct on price, how that
25 affects the margins of the mill.

1 COMMISSIONER WILLIAMSON: Okay. I don't think
2 that the was the question I was asking. I was really more
3 asking about, was it just - if they're saying there's a
4 price squeeze and they're saying that imports are
5 contributing to that, do you disagree with that? And you
6 keep saying yes. Okay. Or you're really saying, well, I
7 guess, scrap determines everything in terms of their
8 margin.

9 MR. JOHNSON: I would say scrap is the driving
10 factor that drives their cost and their price and the
11 percentage of margin they have on their product will reduce.
12 As that price of scrap comes down, it reduces their sale
13 price. But the same thing happens is that scrap number goes
14 up. If they're using that type formula.

15 MR. CUNNINGHAM: Your staff's variance analysis
16 in the preliminary investigation showed that the industry's
17 problems were because of a cost-price squeeze. Not a big
18 one, mind you, but some. And the question is not whether
19 there was such a squeeze. The question is, what produced
20 these decline in prices greater than the decline in COGS?

21 COMMISSIONER WILLIAMSON: Okay.

22 MR. CONNELLY: Commissioner?

23 COMMISSIONER WILLIAMSON: Go ahead.

24 MR. CONNELLY: Warren Connelly, counsel for
25 POSCO. I just wanna make a point about the relationship of

1 scrap prices and tire cord. Because, remember, tire cord is
2 BOF. It does not use scrap. And what we heard this morning
3 from the domestic industry is that they use imported BOF
4 billets. So the relationship is not nearly as direct, and
5 not nearly as significant with respect to tire cord.

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. CAMERON: And, of course - Commissioner -
8 Don Cameron. Of course, if they're using BOFs to produce
9 the 1080 and they're using BOF ingots to produce a 1080, and
10 if they're using their electric arc furnaces to produce all
11 other wire rod, it does beg the question of whether or not
12 the continuum is broken. Thank you.

13 COMMISSIONER WILLIAMSON: Okay. They do say
14 this morning, they could - now whether anybody's actually
15 doing it - they use the electric arc furnaces to make 1080
16 if you have different inputs, the DRI or - is that - do
17 you agree with that?

18 MR. HUGHES: Nobody at this time - This is
19 Terry Hughes from Bekaert - Nobody at this time is making
20 1080 steel tire cord for an electric furnace for us, no.

21 MR. CAMERON: And the evidence that we have
22 found - Don Cameron - the evidence that we have found is
23 that the 1080 tire cord is being made by EVRAZ, who has
24 claimed to make it. There have been some small amounts of
25 shipments. They have not qualified, and they made it out of

1 what? Ingots. Not from their EAF furnace, but ingots.

2 So that's one reason that we were pointing out
3 in the testimony this issue of the BOF. The BOF actually is
4 relevant. It's obviously factually relevant because these
5 guys can't produce it using their EAF furnaces, right? But
6 we were told in the preliminary determination that somehow
7 that was legally irrelevant because that's not what the
8 domestic industry does.

9 Well, in fact, the domestic industry does do
10 some of that, and we heard the testimony this morning. What
11 do they do? They use BOF ingots. Why? 'Cuz that's the
12 only way they can get it. Let me ask you again. If they're
13 using BOG ingots to produce a 1080 and they're using an
14 electric arc furnace to produce everything else, does that
15 sound like a continuum to you? Thank you.

16 COMMISSIONER WILLIAMSON: I'm asking the
17 questions.

18 MR. CAMERON: Oh, okay, it was rhetorical. But
19 you already know that.

20 COMMISSIONER WILLIAMSON: Yeah, I know you, Don.
21 Confess it up. Okay, let's go to another question. This
22 morning, petitioners were asked about purchasers need for
23 multiple sources. They noted that there are seven domestic
24 producers and nonsubject import sources. So the petitioners
25 argue that purchasers buy subject imports because they are

1 cheaper. So how do you respond to that? I know someone has
2 already talked about the need for alternative sources, but
3 aren't there alternative sources in the U.S.?

4 MR. JOHNSON: Johnson at Mid South Wire.
5 Hopefully I won't confuse this time.

6 COMMISSIONER WILLIAMSON: Just stay off the
7 numbers.

8 MR. JOHNSON: No problem. I went to Alabama, so
9 math is not my strong point. But -

10 COMMISSIONER WILLIAMSON: I was a math major for
11 a while.

12 MR. JOHNSON: Maybe you can teach me something.

13 COMMISSIONER WILLIAMSON: I got out of it.

14 MR. JOHNSON: In our particular percentage, we
15 compete with every one of the domestics every day. There's
16 not a sales report I get each week from my sales force that
17 something isn't noted about one of the integrated downstream
18 wire mills competing with us, and what we're having to do in
19 order to meet that competition. And so for us, having an
20 alternative is a strong tool, so that we're not dependent on
21 our supplier strictly for our - who's our competitor as
22 well.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. CONNELLY: Commissioner Williamson?

25 COMMISSIONER WILLIAMSON: Yes?

1 MR. CONNELLY: Warren Connelly, POSCO.

2 COMMISSIONER WILLIAMSON: Yeah.

3 MR. CONNELLY: Multiple sourcing for tire cord.
4 There is no such thing as a domestic producer who can be a
5 source for tire cord. The only - and wire producers have
6 to have multiple sourcing. Now that's a given. So what are
7 those sources? It's just a handful of companies. Foreign
8 companies, subject and nonsubject.

9 But there is no U.S. producers that can be a
10 source, certainly of commercial quantities. That's what the
11 record shows. If you wanna know what's different about this
12 record, that's one key thing. There are a lot of other
13 things, but that's one key thing that's different about this
14 record with respect to tire cord. Thank you.

15 COMMISSIONER WILLIAMSON: But there are
16 nonsubject sources of the tire -

17 MR. CONNELLY: There are a couple. There are a
18 couple. Yes.

19 COMMISSIONER WILLIAMSON: Okay.

20 MR. CAMERON: Commissioner? Don Cameron. But
21 that's the point is that they are - the number of producers
22 in the world that are capable of producing the 1080 quality
23 for tire cord is limited to a handful. What did we say it
24 is?

25 MR. MINNICK: Dave Minnick with Kiswire.

1 There's seven producers in the world that can produce this
2 wire.

3 COMMISSIONER WILLIAMSON: Okay, thank you.

4 MR. CAMERON: And the other thing, getting back
5 to the question you asked this morning. You asked a very
6 good question about, okay, so what is the split between
7 above-1080 tire cord and bead wire, and below-1080 tire cord
8 and bead wire. Because, yes, there is some below-1080 tire
9 cord and bead wire, although it's limited. So what are our
10 numbers?

11 MR. MINNICK: Okay, for bead wire, 1080 and
12 above is about 80% of our product uses 1080 and above.
13 Between 20% to 30% is below the 1080 grade. For steel cord,
14 for tire cord-we call it steel cord in our industry-but
15 tire cord, 95% of the use in tire cord is 1080 and above.
16 5% is below the 1080 grade.

17 MR. HUGHES: And this is Terry Hughes for
18 Bekaert. For steel cord in North America for us, it's 100%
19 1080.

20 COMMISSIONER WILLIAMSON: Okay. I think we -
21 It was explained this morning that the cord is the higher
22 level of production and skill and all that -

23 MR. HUGHES: They're both on a high level, but
24 it's much more difficult to draw the steel tire cord to the
25 much finer diameters than the bead wire. The bead wire, if

1 you look at the samples that the tire industry provided,
2 it's a thicker wire, although smaller than most industry
3 applications. But the tire cord wire is a much finer wire.

4 COMMISSIONER WILLIAMSON: Okay, good. Okay.
5 Thank you for those answers.

6 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

7 COMMISSIONER BROADBENT: Yep. Mr. Cunningham,
8 Table 5-13 of the prehearing staff report contains
9 information from purchasers indicating that they source
10 substantial volumes from subject imports over the POI
11 instead of the domestic industry, with many of these firms
12 stating that low import prices were a primary reason. Can
13 you explain how we should interpret this data?

14 MR. MOFFITT: This is Bob Moffitt with Heico
15 Wire Group. If I could just say, from our perspective, I've
16 made a point, in fact, in the questionnaire, when I
17 basically said that we don't do it because of - we have a
18 commitment to buying from offshore. It's a 20% to 25% of
19 our requirement, we do purchase offshore.

20 I mean some of our facilities, like, our Kent,
21 Washington facilities' 100% domestic from Cascade Steel, but
22 most of the facilities, we have to buy from offshore, just
23 to ensure that we will have material coming in.

24 COMMISSIONER BROADBENT: Right. But a lot of
25 purchasers that were surveyed said that they bought because

1 of low prices.

2 MR. MOFFITT: Well, I think that there was some
3 misunderstanding, perhaps, on the questionnaire. That was
4 - I mean I actually didn't understand the question, and
5 that's what - because it was, to me, it was never an
6 either/or.

7 And I'm wondering if many of the people that did
8 respond to the questionnaire maybe perhaps had the same
9 question. I mean the fact that they did buy something means
10 that they did make a decision to buy it. But obviously, if
11 you're buying it from one source, you're not buying it from
12 another.

13 MR. CUNNINGHAM: Can I take another shot at it,
14 since you asked me? I'll try to avoid the twenty-minute
15 elaborate concern I have about the way that question's set
16 up, which I will sort of summarize by saying, I think it's
17 odd that you don't ask the purchasers whether they bought
18 from domestic at lower prices than imports, and so balance
19 the question.

20 But putting that aside, I think that, in this
21 case, in the facts of this case, that - we're not here to
22 argue that there's no underselling. We're not here to argue
23 that there are some cases in which the domestic customer
24 buys from import sources at a lower price. I also have some
25 concerns about the concept of purchased instead of domestic,

1 because I'm not sure that -

2 You know, you remember, you went to this because
3 of problems with the lost sales and lost revenues way of
4 getting at this. But the fact that you purchased imports
5 instead of domestic may mean that I've chosen a particular
6 transaction to buy from an importer that offered me that
7 sale instead of buying from a domestic producer that offered
8 the same thing. Or it could mean, well, I bought imports, I
9 could've bought domestic, but it may not've been a
10 head-to-head competition.

11 So put all that aside for just a minute. And
12 let's just assume that this table is interpreted the way a
13 domestic producer would interpret it, which is that this
14 shows that there was a significant number of purchasers who
15 did buy imports at lower prices, and in some cases, there's
16 significant quantities of that.

17 You still have to determine whether the
18 quantities constitute injury to the domestic industry by
19 looking at the trends in U.S. shipments and the trends in
20 U.S. producer market share. And you still have to look at
21 the causation of a -

22 COMMISSIONER BROADBENT: Right. And it just -

23 MR. CUNNINGHAM: And there's nothing about
24 causation of price trends, I don't think. It may say
25 something about the extent to which imports took an

1 additional portion of the U.S. market, but you look at more
2 fundamentally in the aggregate, in your analysis of your
3 trends in U.S. shipments and trends in U.S. industry market
4 share. And here we have U.S. industry market share going up
5 for all of those companies there. And their shipments going
6 up. And an increase in U.S. -

7 COMMISSIONER BROADBENT: Well, that's - I mean
8 - yeah. But I'm just trying to get that U.S. industry, the
9 folks that purchase - to answer that question, you're
10 saying there was price pressure. They bought imports
11 because of lower price?

12 MR. CUNNINGHAM: I have a little problem with
13 the term "pressure" there. I mean it -

14 COMMISSIONER BROADBENT: Well, what do you mean,
15 what does that mean to you, in the sense that they're saying
16 they're buying imports 'cuz they're lower priced?

17 MR. CUNNINGHAM: I don't deny it. I would not
18 question the fact that in the transactions and the volumes
19 quoted here -

20 COMMISSIONER BROADBENT: Okay. So that you -

21 MR. CUNNINGHAM: It brought it - imported -

22 COMMISSIONER BROADBENT: - so you're conceding
23 and just, we need to go on to look at the impact.

24 MR. CUNNINGHAM: Yeah. But, you don't have -
25 and suppose you had a - let's take one company here that

1 lists 20,000 tons. Just a hypothetical. I don't have one.
2 That it purchased, instead of domestic, since 2014. Suppose
3 you had asked that company, what quantity did you purchase
4 from domestic instead of imports on the basis of lower
5 price? If I had both of those figures, I could make some
6 sense out of this.

7 COMMISSIONER BROADBENT: Okay.

8 MR. CUNNINGHAM: But I don't have it here.

9 COMMISSIONER BROADBENT: Okay.

10 MR. HUGHES: Madam Commissioner?

11 MR. CUNNINGHAM: I could write a law review
12 about this or something or other, right? This is not the
13 place to debate the methodology, although at some point I'd
14 like to do a submission.

15 MR. HUGHES: Commissioner? Can I just jump in?
16 Terry Hughes from Bekaert?

17 COMMISSIONER BROADBENT: Well, actually, Mr.
18 Frey was first and then you -

19 MR. HUGHES: Oh, I'm sorry. Go ahead.

20 MR. FREY: Yeah, thank you. Standard wire rod
21 is a pretty globally uniform product. It's the same in
22 China, it's the same in Egypt as in the United States. So
23 those import prices are a reflection of where the global
24 price is deemed as what price levels are achievable.

25 In the United States, we are fairly insulated

1 from this. For one, you have to - the steel needs to
2 travel over long distances, it costs money. And as a
3 result, if I look at my customers, when they compare their
4 cost of steel, not the effective price, but the cost to
5 them, take into effect consideration, additional scrap loss
6 or bloated inventories, the U.S. steel mills are actually in
7 a very comfortable position where they can command more
8 money for their steel than the rest of the world.

9 And if there is a more open competition as in
10 many places of the world, prices would be lower. And if
11 American mills, I think they fear for their competitive edge
12 that they have, that it's being eroded. But at the same
13 time, they are, in terms of competitiveness, I believe not
14 on par with the rest of the world.

15 COMMISSIONER BROADBENT: Okay. Mr. Hughes.

16 MR. HUGHES: Terry Hughes from Bekaert. Upwards
17 of 90% of our imported steel is for steel tire cord and bead
18 wire, because we can't source that material on shore, so in
19 my testimony, I talk about 50% is sourced domestically,
20 almost all of the rest of that material is going into steel
21 tire cord and bead wire that has to be produced offshore.
22 We have no qualified sources. Thank you.

23 COMMISSIONER BROADBENT: Okay.

24 MR. CUNNINGHAM: Let me say one last thing, then
25 I'll shut up. You look at the volumes here that they talk

1 about, that they purchase from imports at a price lower than
2 a domestic price. You add up those volumes, really those
3 are for the whole period. Yet it's way, way, way short of
4 the total amount of imports purchased in the United States
5 during that period.

6 So what do you think? That the rest of the
7 imports were purchased at higher prices? That's why I find
8 it difficult to make use of this table. It doesn't seem to
9 me - I'm not quite sure what goes through the company's
10 mind in answering it. All of these companies that have
11 listed tonnages there, I'm quite sure, buy more from import
12 sources than are listed here for this, you know?

13 It doesn't seem to me that this shows you very
14 much, because you have a product that is a price-competitive
15 product. Most transactions where you buy, you'll buy from
16 the lower price, or at least - remember we talked about the
17 lower costs, 'cuz there are other considerations than price
18 in some situations. And I'm not sure what you're supposed
19 to make of these numbers here, which are obviously a lot
20 less than total volume of imports -

21 COMMISSIONER BROADBENT: Okay.

22 MR. CUNNINGHAM: - that they buy. I mean it
23 just baffles me.

24 COMMISSIONER BROADBENT: Okay

25 MR. CUNNINGHAM: But I get baffled easy.

1 MR. WAITE: Commissioner Broadbent? It's Fred
2 Waite, counsel for AWPA. We are not blessed with the
3 ability to look at the confidential versions of the
4 prehearing staff report or, indeed, any other confidential
5 version that's submitted in this case because we are
6 industrial users, so we're not eligible under the APO.

7 But we did collect information that was
8 submitted to the Commission that is the purchaser
9 questionnaire response from AWPA members who voluntarily
10 supplied it to us for purposes of this investigation. And I
11 would just point out that, compare the table that you were
12 just describing, which I have not seen, with the responses
13 of purchasers to Question II-1, that is, how much of their
14 requirements do they purchase from U.S. rod mills or how
15 much from all other sources?

16 We had that for AWPA members and what it shows
17 is that the overwhelming tonnages purchased by those
18 purchasers—who must comprise a very significant percentage
19 of all purchases who were responding to your
20 questionnaire—source domestic. If the imported price is
21 always lower, and if customers always buy the low price,
22 why are purchasers purchasing anywhere between 50% and 85%
23 of their requirements from the domestic mills?

24 Must be because other compelling factors are
25 driving it, that were described here today. And I would

1 just ask you to compare that data with the table you were
2 just looking at and see if the table you were just looking
3 at may not be a distorted or an incomplete or a very minor
4 part of the picture in terms of purchasing decisions by U.S.
5 customers.

6 COMMISSIONER BROADBENT: Okay.

7 Thank you very much. My time has expired.

8 VICE CHAIRMAN JOHANSON: Given the Commission's
9 consistent single like products definition for wire rod, to
10 what extent is respondent's like product argument premised
11 on technological or market changes since prior
12 investigations? Or do you all simply contend that the
13 Commission got it wrong when it rejected similar arguments
14 in the past?

15 MR. HUGHES: This is Terry Hughes from Bekaert.
16 I think the industry standards has changed over time
17 tremendously since especially 2002. The caf standards on
18 the fuel economy on the cars mandated by the government,
19 also stronger tires, lighter weight, these types of things.
20 Actually, the larger rim tires are more I guess desired in
21 the market. So 20 inch, 22 inch rims, it takes much higher
22 strength material to make those types of tires to take the
23 force on that. So I would say that that's changed
24 tremendously over time.

25 VICE CHAIRMAN JOHANSON: Yes?

1 MR. CONNELLY: Commissioner Johanson, Warren
2 Connelly, POSCO. So let me just go through a brief list of
3 what we think is different today versus 2002.

4 And I want to start by making the point that to
5 the best of our knowledge, the Commission has never
6 identified a single domestic producer of tire cord. Now
7 that's true since 2002. And in fact, in 2006, in your
8 negative determination for China, Germany, and a third
9 country, you said at that time there were no U.S. producers
10 of grade 1080 and higher tire cord.

11 Now what's happened since 2006? If it's so easy
12 to make tire cord using EAF, nine years have - nine years?
13 No. 11 years have gone by and there is still no U.S.
14 producer of a commercial quantity of tire cord. That's fact
15 one that's different.

16 Fact two that's different, we owe a great deal
17 of thanks to your staff for having a specific set of
18 questions on grade A 1080 and higher. That is very
19 different. We now have a very different, let's put it this
20 way, we actually now have a picture of what the domestic
21 industry consists of, which by the way, we heard from
22 Keystone, they don't make tire cord. They make tire bead.
23 And if you look at the quantities, you'll reach another
24 conclusion.

25 The other producer is EVRAZ. EVRAZ isn't here.

1 This is a very important product allegedly for EVRAZ.
2 They're not here. What does that tell you about their
3 interest or willingness to answer questions about this
4 issue?

5 Third, as was just stated, grade 1080 is just
6 the start of tire cord specs. There are higher carbon
7 standards now. That's different. And we're having to
8 produce -

9 VICE CHAIRMAN JOHANSON: I'm sorry, they're
10 higher carbon standard?

11 MR. CONNELLY: Higher carbon.

12 VICE CHAIRMAN JOHANSON: Could you explain that
13 a bit also?

14 MR. CONNELLY: Or greater - let me have the
15 expert talk about that one.

16 VICE CHAIRMAN JOHANSON: Okay.

17 MR. HUGHES: It's basically the percentage of
18 carbon that's actually in the steel wire. There - it's .8
19 percent carbon in 1080, 1070, .7. So it's as high as .9 and
20 almost 1 percent.

21 VICE CHAIRMAN JOHANSON: And that's a change
22 from the past?

23 MR. HUGHES: Oh, yeah, definitely.

24 VICE CHAIRMAN JOHANSON: Right. You only -

25 MR. MINNICK: Dave Minnick from Kiswire. The

1 thing is is right now, every time the tire industry says
2 they want a better wire, a lighter tire, we have to produce
3 this wire stronger, they've gone from back then of where
4 they ran what they call normal tensile wire as the tensile
5 strength. They went to a high tensile. They went to a
6 super tensile. They're now at an ultra-high tensile.

7 Every time they increase the tensile, we have to
8 increase the carbon in the rod that we use. So we're now
9 from using 70 back then to using 80, 85 and 90. In some
10 cases, we're using 85 with chromium, which even makes it
11 harder. Thank you.

12 MR. HUGHES: Terry Hughes from Bekaert.
13 Additionally, the more carbon that you add, the more
14 difficult the cooling process becomes to keep the carbon
15 actually in solution of the steel. And if it drops out,
16 that's where you get the brittleness, where you - in the
17 drawing application, where it tends to fracture quite early.

18 MR. CONNELLY: Well, I'm sorry, one last point
19 on this. First of all, they say there are no new facts.
20 There are a lot of new facts. Here's another new fact. Dr.
21 Rhee testified that it took POSCO five years to get to the
22 point where they could reliably and consistently produce
23 grade 1080 and higher tire cord.

24 The petitioners this morning talked real fast,
25 like 1070 and 1080. Oh, that's no big deal. We can do it

1 on the same equipment. If that's true, why is it they can't
2 make 1080 if it's so easy to make 1070? It's not that easy.

3 Now you've got one domestic producer that
4 testified today that they would like to get into the tire
5 cord grade 1080 and higher business. It's going to take
6 them five years at least, because it took POSCO five years.
7 So we're talking about a domestic industry that just isn't
8 in this business. Thank you.

9 VICE CHAIRMAN JOHANSON: Yes, Mr.

10 MR. CAMERON: Commissioner, sorry, just one more
11 point about the changes that have occurred. I believe in
12 the China case, there was a reference to the fact that
13 ArcelorMittal had made tire cord and bead wire at
14 Georgetown.

15 Now how is that, because they never made 1080?
16 Well, the reason is they were making it for small tires.
17 They were making less than 1080, like what 10 -

18 UNIDENTIFIED SPEAKER: 1070.

19 MR. CAMERON: - 1070.

20 UNIDENTIFIED SPEAKER: 1065.

21 MR. CAMERON: 1065, 1070, right? Okay, for
22 small tires. Well, number one, Georgetown - Arcelor
23 Georgetown is out of business. Number two, we've already
24 heard testimony from the tire manufacturers and from Bekaert
25 that the size of tires has grown and as a result, the carbon

1 level that is required for the strength has grown.

2 Again, on your own records with the evolution
3 through your cases, what was defined as being tire cord and
4 bead wire back then is not the same as 1080, which is being
5 defined now. So there is an evolution. And as I believe
6 there's - there are briefs, I hope somebody got that phone.

7 And as I'm sure that you have - you've already
8 seen, it goes actually beyond 1080, and as Mr. Minnick said,
9 is going to going to 1085, 1090, and higher. So there is an
10 evolution in the standard. So it is a different factual
11 situation as well as a difference in the record, because
12 you've never had the record with respect to this before.
13 Thank you.

14 VICE CHAIRMAN JOHANSON: Thanks, Mr. Cameron.
15 Could all please explain how the use of a blast oxygen
16 furnace versus an electric arc furnace to produce raw steel
17 in imparts differences in the resulting wire rod produced
18 from the raw steel?

19 And do you all have any industry or
20 metallurgical literature that supports and describes the
21 differences that you identified, particularly as they relate
22 to tire cord?

23 MR. HUGHES: This is Terry Hughes from Bekaert.
24 I can get you some literature and some information and I can
25 pass it along later this week. But from a BOF process or a

1 blast furnace going to a BOF process, basically, it starts
2 with an iron and some reduced coal. And so, it's a very
3 pure mix. You know exactly what the elements are coming in.

4 So if you take a look at like making soup, you
5 have the vegetables. You have the chicken stock. You can
6 measure out the specific ingredients very well and create
7 the same soup over and over and over. That's what blast
8 furnace and basic oxygen furnace does.

9 So as they mix the steel together and start the
10 refining process, they blow oxygen into it and reduce the
11 carbon. So they draw the carbon down. And that creates the
12 heat in the actual bath of the steel.

13 On the electric furnace side, they take shredded
14 cars and refrigerators and washing machines, and they shred
15 them all up, which as you know, has plastic and carbon and
16 all different types of copper wiring and these types of
17 things. And they hopefully remove all these impurities out,
18 but they don't get it all. They dump it all into a big vat
19 and they use electricity that arcs through the bottom of the
20 furnace and convection melts the steel in the furnace. And
21 then they have to test it to see what they have and make
22 adjustments from there.

23 So it's like starting with somebody else's soup
24 each time and not knowing what it's going to be until you
25 are almost finished. So I mean, that's basically the two

1 differences.

2 VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr.
3 Hughes. And I look forward to seeing any literature that
4 you might be able to provide to us.

5 What - well, you know what? My time's about to
6 expire. I was about to start a sentence, but I might come
7 back to his. Commissioner Williamson?

8 COMMISSIONER WILLIAMSON: Thank you. Just to
9 follow up on that last question, can electric arc, can they
10 used reduced iron instead of scrap? And does that address
11 - does that - does that make the soup a little bit more
12 predictable or?

13 MR. HUGHES: It does. It's like using maybe
14 carrots instead of other people's vegetables, these types of
15 things. No, I'm just kidding. This is Terry Hughes from
16 Bekaert.

17 COMMISSIONER WILLIAMSON: Do you use organic
18 ones?

19 MR. HUGHES: It's - the direct reduced iron and
20 pig iron that you heard in this morning's testimony, they do
21 use some of that, a lot of it, but that creates a tremendous
22 amount of cost, because they have to make it in one factory,
23 ship it to another, and the amount to take out the
24 impurities from the scrap, it might be 50 or 60 percent
25 where currently, they're using maybe 10 percent.

1 You would think that - well, the electric
2 furnaces are basically there to be more competitive with
3 quicker turnarounds on heats and these types of things, but
4 it's just a flaw in that system that it just introduces
5 impurities each time.

6 Now after you make wire rod, or car, and you
7 shred it up and then you make another type of thing like a
8 washing machine and they shred it up, the impurities
9 continue to leach up higher and higher. And unless you're
10 adding BOF Steel's pure steels into the mix all the time,
11 those impurities are going to become so great, that you
12 can't make fine drawing or even intermediate drawing
13 materials at all.

14 COMMISSIONER WILLIAMSON: Okay, good. Thank
15 you.

16 MR. CONNELLY: Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Yes.

18 MR. CONNELLY: Warren Connelly, POSCO. If it
19 was so easy to add direct reduced iron in an EAF, then why
20 haven't they done that? That technique's been available
21 since 2002.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. CONNELLY: There's nothing new about that.

24 COMMISSIONER WILLIAMSON: Okay.

25 MR. CONNELLY: So it cannot be that they are -

1 that that's the solution. The problem is a whole lot more
2 complicated than that -

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. CONNELLY: - with respect to producing tire
5 cord.

6 COMMISSIONER WILLIAMSON: Thank you. I have a
7 bunch of other questions.

8 MR. CONNELLY: Okay.

9 COMMISSIONER WILLIAMSON: So I want to - thank
10 you. And so if we find that the domestic producers do not
11 produce grade 1080 tire cord and tire bead wire rod, how
12 should the - how should that affect the Commission's
13 domestic like product analysis? Let's -

14 MR. CAMERON: Well, Commissioner, Don Cameron.

15 COMMISSIONER WILLIAMSON: Uh-huh.

16 MR. CAMERON: First of all, we have heard
17 testimony from them today that they "do produce 1080 tire
18 cord and tire bead wire," all right? Now whether those are
19 in commercially viable quantities is a separate issue.
20 Whether they qualify is a separate issue, but they say they
21 produce it.

22 Moreover, we do have evidence, because our some
23 of our folks have purchased it, that EVRAZ does or at least
24 has produced 1080 from ingots. So BOF ingots in the U.S.,
25 they are an EAF producer, but they use ingots to produce it

1 So we also have evidence of that. So for the
2 like product analysis, we believe that actually there is
3 domestic production that we can compare. And the domestic
4 producers have said how they are doing it.

5 To date, what we have heard is that they are
6 using ingots to do that. If they're using BOF ingots to do
7 that, that supports our theory that in fact, BOF is
8 essential to the production of the 1080, right? And since
9 that is not their normal way of production of any other wire
10 rod that we're aware of, that then lends support to our
11 contention, our position that in fact it is not simply
12 another bump on the continuum which we can

13 COMMISSIONER WILLIAMSON: But I said if we were
14 to agree with you on that -

15 MR. CAMERON: Pardon me?

16 COMMISSIONER WILLIAMSON: You were saying then
17 the domestic-like product would be the product?

18 MR. CAMERON: Domestic like product would be the
19 1080, right, that would be 1080 as opposed to the other wire
20 rod. And then you should be doing a separate analysis. So
21 that would be the way that we would analyze it.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. CAMERON: Under the like product theory.

24 COMMISSIONER WILLIAMSON: Good.

25 MR. CAMERON: Thank you.

1 COMMISSIONER WILLIAMSON: Okay, thank you for
2 that answer.

3 MR. CAMERON: Thank you, Commissioner.

4 COMMISSIONER WILLIAMSON: For tire cord
5 producers again, are there specific low bearing thresholds
6 that are separate tire cord - that separate tire cord
7 grades? If so, could you please share documents
8 demonstrating and for what lows requires specific grades of
9 tire cord?

10 MR. CAMERON: Sorry, could you repeat the
11 question? I'm sorry.

12 COMMISSIONER WILLIAMSON: Are there specific low
13 bearing thresholds that separate tire cord grades? And if
14 they are, could you please share documents demonstrating at
15 what loads require specific grades of tire cord? And this
16 probably best can be done post-hearing.

17 MR. CAMERON: Yeah, we can - we will get what
18 we can post-hearing. I believe that tire manufacturers, a
19 lot of that - I think what you're talking about, some of
20 this gets into truck tires and the regulations and things
21 like that. And we can get that to you, I think.

22 COMMISSIONER WILLIAMSON: Okay.

23 UNIDENTIFIED SPEAKER: Super tensile.

24 MR. CAMERON: Yeah, super tensile and things
25 like that.

1 COMMISSIONER WILLIAMSON: Okay. Try.

2 MR. CAMERON: It's fine.

3 COMMISSIONER WILLIAMSON: Do it post-hearing,
4 thanks.

5 MR. CAMERON: Yeah.

6 COMMISSIONER WILLIAMSON: Okay. Have lead times
7 for shipments changed since 2014, and if so, how and why?

8 MR. MOFFITT: Can you repeat that?

9 COMMISSIONER WILLIAMSON: I'm sorry.

10 MR. MOFFITT: I'm sorry.

11 COMMISSIONER WILLIAMSON: Is this better?

12 MR. MOFFITT: No, I'm fine. Bob Moffitt, Heico
13 Wire. I haven't noticed any changes at all from the
14 domestic mills. It's been somewhere in the say to four to
15 six week range as far as I can recall.

16 COMMISSIONER WILLIAMSON: Okay. Thank you. How
17 do changes in oil and gas prices affect demand for wire rod?

18 TH: This is Terry Hughes from Bekaert.

19 COMMISSIONER WILLIAMSON: Uh-huh.

20 TH: The only thing that comes to mind would be
21 if the oil and gas industry would ramp up some melt
22 production maybe diverted to say piping capacities. And
23 yeah, I guess, well, you can say that, but so EVRAZ makes
24 pipe, you know, for oil and gas type things. And their
25 ability to make wire rod would maybe be reduced.

1 COMMISSIONER WILLIAMSON: Uh-huh. Okay.

2 MR. CAMERON: Commissioner, Don Cameron. I
3 believe we heard testimony earlier today that with respect
4 to the closure of Republic, which was relevant to oil and
5 gas was relevant to them, not because of the correlation
6 between oil and gas and wire rod, but between oil and gas
7 and the other products that were relevant to them.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.
9 Okay, how do the changes in the automotive industry affect
10 the wire rod market? I guess changes in demand in tires,
11 but any other changes?

12 MR. MINNICK: Dave Minnick with Kiswire. I
13 think what you're asking is this. You know, I have an old
14 '97 pickup truck that I've had now for since brand new. The
15 largest tire that would be put on that was a 15 inch tire.
16 Today, everything you buy is 20, 21, 22 inch tires. So the
17 industry has gone from making 13, 14, 15 inch tires to
18 making 18, 19, 20, 21, 22 inch tires up to 24 inch for cars.

19 So that has been a big factor in the change of
20 what kind of bead wire, what type of tire cord they wanted.
21 And it also has changed the strength of it because they want
22 a lighter tire. So that you make the wire a lot stronger.
23 They don't have to put as much wire in each tire.

24 COMMISSIONER WILLIAMSON: Okay, thank you.

25 MR. MINNICK: Thank you.

1 COMMISSIONER WILLIAMSON: I wanted to ask you
2 why, but that's not relevant here. So let's go to the next
3 one.

4 MR. STAUFFER: Excuse me if I could. Could I
5 answer that? Stauffer at Insteel?

6 COMMISSIONER WILLIAMSON: Yeah.

7 MR. STAUFFER: Sir, you - one of the concerns
8 that we have about the overall ability of the domestic
9 industry to respond to increases of demand should there not
10 be an import component to our program are these very
11 questions. What are the changes in the other industries
12 that would drive not just wire rod, but the other steel
13 products that these mills make away from wire rod
14 production.

15 For example, the Nucor family of mills, two of
16 them make other products. SBQ and MBQ. Some of them make
17 - I think all of them make rebar in one form or another.
18 The Keystone mill is very big in the agricultural market,
19 markets separate from ours. There are automotive
20 applications that could draw away from the industrial
21 quality wire rod applications that we have.

22 And when we look at addressing the ability of
23 those mills to pick up the slack so to speak that would go
24 come their way, should there not be an import program, those
25 are the questions that we look at, because we suggest that

1 there's no sufficient demand under the current market
2 conditions, but should any of these other segments come into
3 play, that demand would deteriorate that supply to us would
4 deteriorate even more because those products tend to be
5 higher value added products that take away from industrial
6 quality wire rod -

7 COMMISSIONER WILLIAMSON: You said there's no
8 sufficient demand or is it not sufficient production?

9 MR. STAUFFER: Sufficient production should
10 other segments currently and should other segments of the
11 market - the economic profile heat up, the demand for their
12 steel products will go elsewhere.

13 COMMISSIONER WILLIAMSON: Okay, thank you. Do
14 purchase have to meet buy America requirements? I think
15 someone else mentioned buy America requirements and I guess
16 the question is -

17 MR. STAUFFER: Yeah.

18 COMMISSIONER WILLIAMSON: - how significant is
19 that in the demand picture.

20 MR. STAUFFER: Yeah, that's me again, Stauffer.

21 COMMISSIONER WILLIAMSON: Yeah.

22 MR. STAUFFER: So we -

23 COMMISSIONER WILLIAMSON: That's what I thought.

24 MR. STAUFFER: We make products for concrete
25 reinforcement. Any of the State Department of

1 Transportation programs, federally sponsored programs, all
2 have to come through the buy America, buy American criteria.
3 We estimate that about 60 percent of our product line goes
4 that way. So we must have a consistent regular supply with
5 the domestic industry in order to fulfill those requirements
6 that our customers and federal regulations and state
7 regulations demand.

8 COMMISSIONER WILLIAMSON: Okay. Anyone else
9 have -

10 MR. JOHNSON: John Johnson with Mid South Wire.
11 We have the same requirements on some of the products that
12 we make or the customers that we supply that require
13 American made mandate for the material used in that product.

14 COMMISSIONER WILLIAMSON: Okay, do you -

15 MR. MOFFITT: And then Bob Moffitt of Heico
16 Group.

17 COMMISSIONER WILLIAMSON: Uh-huh.

18 MR. MOFFITT: Well, if not just buy American
19 requirements. We also have some customers who want us only
20 to buy American sourced product. We make - we're a large
21 producer of aluminum conductor shield reinforcing, which is
22 the reinforcing component of the high power lines. And both
23 of our customers want American rod.

24 COMMISSIONER WILLIAMSON: Okay, okay, thank you
25 for those answers.

1 VICE CHAIRMAN JOHANSON: Commissioner Broadbent?

2 COMMISSIONER BROADBENT: Yeah, I just had I think
3 one more question. It appears - I guess this would be for
4 Mr. Cunningham. It appears that cumulated subject import
5 volume declined after the filing of the Petitions. Was this
6 declined in subject import volume attributable to the
7 pendency of the investigations?

8 MR. CUNNINGHAM: Subject import volume declined
9 after the filing of the Petitions. I don't think I have a
10 good answer to that. Often that happens because there's a
11 potential of imposing duties.

12 Sometimes, the other way around people hustle to
13 get the stuff in before a duty - obviously that doesn't
14 look to be the case here. And other times it has to do with
15 other market forces that are in play.

16 Let me see what I can find out and we'll give you
17 some more on the post-hearing Brief, okay?

18 COMMISSIONER BROADBENT: Okay, good.

19 MR. WAITE: Commissioner Broadbent?

20 COMMISSIONER BROADBENT: Yes.

21 MR. WAITE: It's Fred Waite again at AWPA.

22 COMMISSIONER BROADBENT: Yes.

23 MR. WAITE: I believe this morning you asked a
24 similar question but you also appended to that the existence
25 of the Section 232 investigation of steel products and

1 whether that may have an effect.

2 COMMISSIONER BROADBENT: Right.

3 MR. WAITE: It appears that after the
4 administration announced not only was it going to initiate a
5 Section 232 investigation regarding the impact of steel
6 imports on the national security, it was going to make its
7 decision with undue haste.

8 As a result I think a number of foreign producers
9 and importers and U.S. customers - and this is borne out by
10 the import statistics, actually moved a significant amount
11 of material into the U.S. market thinking perhaps this might
12 be the last chance they have during the Trump administration
13 to ship certain steel products into the U.S.

14 So you may have the intermingling of a number of
15 factors here impacting. I have not looked at that
16 specifically for wire rod but we could in our post-hearing
17 if you would like us to do that?

18 COMMISSIONER BROADBENT: Yes, Mr. Frey?

19 MR. FREY: I wanted to add to that that wire rod
20 is a fairly seasonal product say the agricultural business
21 and construction is starting to become more active in spring
22 again after harsh winter conditions.

23 And since the United States is not producing
24 enough wire rod, it needs to come from somewhere else. So I
25 see most of my activity for rods arriving in the time

1 between April and June simply because somebody needs to come
2 up with the material that is required by the industry.

3 And then this is kind of a natural thing that
4 most material arrives in that time period whereas imports
5 tend to be more muted the rest of the year. So that to me
6 is an explanation for a hike and if you ask for the
7 drop-off, there's a lead time if I were to place an order
8 with a foreign steel mill I have no way of undoing this.
9 The steel would arrive three months later whether I like it
10 or not.

11 So there's a certain lead time that leads to any
12 decisions that I make not only having an effect on import
13 stats three months later.

14 COMMISSIONER BROADBENT: If anybody has any
15 further thoughts for the record that would be helpful.
16 Thank you, I'm done right now.

17 VICE CHAIRMAN JOHANSON: Thank you Commissioner
18 Broadbent. I have a question for POSCO. You all might have
19 an answer for this. Nucor has argued that the Korean
20 automotive industry is experiencing a crisis with plummeting
21 sales and they state this at page 29 of their Brief.

22 Could you please explain the status of the Korean
23 auto market and what is driving any crisis and how should
24 this factor into any threat analysis in your view?

25 MR. CONNELLY: Warren Connelly. Commissioner, we

1 are going to have to look into that one. I'm not sure we
2 are prepared with our people here to answer that one but we
3 will look into it.

4 VICE CHAIRMAN JOHANSON: Okay, yeah I would
5 appreciate it. That kind of caught my attention because I
6 see a lot of Korean cars in the U.S. and I didn't know if
7 there's actually a - if what is happening there. Okay,
8 thank you.

9 That concludes my questions. I appreciate all of
10 you being here today. There's a big crowd of you out there.
11 I have a hard time seeing some of you the room is so packed.
12 Commissioner Williamson?

13 COMMISSIONER WILLIAMSON: Just a couple of quick
14 questions for U.K. Respondents. Please explain the argument
15 on page 19 of your pre-hearing Brief that domestic producers
16 should not have expected to have gained all of the volume
17 left by the Chinese imports disappearance from the market.

18 MR. CUNNINGHAM: I could do that pretty quickly.

19 COMMISSIONER WILLIAMSON: Okay.

20 MR. CUNNINGHAM: If the U.S. industry,
21 Petitioner's here, had a certain share of the market that
22 started this POI and if the Chinese imports declined over
23 the POI one would think that U.S. industry would - at least
24 Petitioners would expect to have gotten about the same
25 percentage of that decline as they got - as they had of

1 their market share, I think a lot more. Just look at the
2 table attached - attachment C I believe it is to Mr.
3 Trendl's statement today.

4 I mean there are other participants in the
5 marketplace and one of the non-subject imports and subject
6 imports would also get some of the exiting Chinese volume
7 and you know, since these Petitioners got more of them -
8 what looks like the share that they would have expected, I
9 don't see how they can complain.

10 COMMISSIONER WILLIAMSON: Okay, thank you.

11 MR. TRENDL: This is Tom Trendl. I would also
12 direct on page 19 we cite a case we think is very similar to
13 this one which is Carbon Steel Buttweld Pipe Fittings from a
14 number of countries. It is cited in our case Brief there.
15 This is not an issue of first impression for you.

16 COMMISSIONER WILLIAMSON: Okay, thank you. And I
17 apologize if this has already been asked. It appears that
18 cumulative subject import volume declined after the filing
19 of the Petition. Was this decline of subject import volume
20 attributed to the pendency of the investigation and if it
21 has already been asked just tell me.

22 COMMISSIONER BROADBENT: I can give it.

23 COMMISSIONER WILLIAMSON: Oh well, let's ask it
24 again. Did I ask it anyway differently that it might get an
25 answer?

1 MS. KORBEL: I think it's clear Commissioners -

2 MR. CUNNINGHAM: I can give you my thoroughly
3 considered answer to that which is I don't know, we'll try
4 to get back to you on it.

5 COMMISSIONER WILLIAMSON: Okay, someone else?

6 MS. KORBEL: Commissioner, I think it's pretty
7 clear with margins in the range of 700% to 10% that it's
8 going to stop imports after the imposition of the
9 preliminary dumping margins.

10 COMMISSIONER WILLIAMSON: Okay, okay, thank you
11 and I have no further questions so thank you all.

12 MR. CUNNINGHAM: Could I come back to one thing
13 because I have been sitting here agonizing over the exchange
14 that Commissioner Broadbent and I had over the question
15 about how much of the U.S. purchasers bought imports and
16 bought at lower prices.

17 And I just did a little bit of math - I'm not
18 giving any exact figures but it's somewhere around a quarter
19 of the total subject import volume over the period. What
20 does that tell you? Does that tell you three-quarters of
21 what they bought from abroad they bought at higher prices
22 than domestic imports?

23 Does it tell you that three-quarters of what they
24 bought they bought at different - for different reasons
25 than price? Does it tell you that maybe they didn't really

1 understand quite how to answer the question? Those would be
2 my three leading suppositions but I'm not sure I can tell
3 you.

4 I'll make it - on behalf of my client I'll say
5 it's obvious that three-quarters of what they bought was
6 bought at higher prices than domestic producers although I
7 say that with tongue in cheek.

8 VICE CHAIRMAN JOHANSON: All right thank you all
9 again for testifying today. Do staff have any questions?

10 MR. CORKRAN: Douglas Corkran, Office of
11 Investigations. Thank you Vice Chairman Johanson, one
12 question please for Mr. Stauffer. I believe you testified
13 today that U.S. prices were now below global prices, was
14 that the initial testimony?

15 I was looking at published price data and it
16 looked like through June there was a domestic premium, a
17 U.S. premium still. When did that change in your view?

18 MR. STAUFFER: Stauffer at Insteel, Mr. Frey
19 could probably help me more with this since his trading
20 experience, but I would say it's been within the last 60
21 days - and you have to keep in mind the lead time
22 requirement here. So we have - if I want to buy something
23 today, I have to say yes and it has to come only in
24 February or March, depending upon where I am in the delivery
25 of that.

1 So at that point, if I were to agree to that
2 transaction today, I know that it would arrive at a price
3 higher than the domestic price I see today. Now, I don't
4 know what the domestic price is going to be in March. I can
5 guess. I can model my scrap model and see where the scrap
6 price goes since it's going to be akin to that, but I really
7 don't have any idea.

8 So the decision is that - to wait. And in
9 waiting we are putting ourselves in jeopardy because if that
10 import product is not here in March and all of these other
11 domestic industries heat up and the domestic capacity is
12 used up then I'm out and that's the conflict that we see
13 today.

14 So it's not always an automatic thing that the
15 import market is the number that we go chasing after and
16 again as I've pointed out and everybody here did - we don't
17 buy just import, we buy domestic and then we have an import
18 component that allows us to compete with all of those
19 products that are flashed up on the board and all of those
20 folks have access to that.

21 Now, good for them because they're paying more
22 now - the global price is at that level so that has some
23 impact on us today. But my testimony earlier was that the
24 prices in the global market are higher than in the domestic
25 today.

1 MR. MOFFITT: Mr. Corkran, if I could just add
2 very quickly to that, I believe Mr. Frey also mentioned this
3 is as well but in a September the 28th article in the
4 American Metal Market, they do address that very question
5 and I mean I have it available and we can include it in the
6 post-hearing Brief I guess and it does explain that they say
7 flipped.

8 MR. CORKRAN: Thank you very much. Thank you
9 very much Vice Chairman, staff has no additional questions.

10 VICE CHAIRMAN JOHANSON: Do Petitioners have any
11 questions?

12 MR. ROSENTHAL: No, we do not.

13 VICE CHAIRMAN JOHANSON: All right, thank you Mr.
14 Rosenthal. All right, okay it's now time for the
15 Petitioner's rebuttal.

16 MR. CAMERON: How much time do we all have?

17 VICE CHAIRMAN JOHANSON: Right, Petitioners have
18 12 minutes for direct, 5 minutes for closing for a total of
19 17 minutes. Respondents have 1 minute of direct and 5
20 minutes of closing for a total of 6 minutes.

21 MR. CAMERON: Thank you.

22 MR. ROSENTHAL: Are you -

23 VICE CHAIRMAN JOHANSON: Yes.

24 MS. BELLAMY: Will the room please come to order.

25 VICE CHAIRMAN JOHANSON: All right yes you all

1 may proceed.

2 CLOSING REMARKS OF DANIEL B. PICKARD

3 MR. PICKARD: Thank you. Good afternoon. This
4 is Dan Pickard from Wiley Rein. I'd like to make just a
5 couple of quick observations before I turn it over to Mr.
6 Rosenthal.

7 I'd like to start as usual by thanking the
8 Commission and their staff for their time and for their good
9 work, especially the staff's good work in regard to putting
10 together such a comprehensive staff report.

11 So the facts of this case are pretty much
12 straight-forward a prima facie case in regard to the
13 significant increase in the volume of imports, both
14 absolutely by market share, the extent of underselling and
15 the deterioration of the health of the domestic industry.

16 So rather than repeat those facts, I'd like to
17 make six quick observations in regard to issues having to do
18 with probative value for the Commission in regard to its
19 determination as the fact-finder - so some of these are
20 very quick.

21 The first observation I would make
22 is while you had full participation this morning, I would
23 point it out for the Commission's attention who wasn't here
24 today. And today you did not have industry witnesses from
25 Belarus, Russia, the UAE, Italy, South Africa and Spain.

1 I would point that out for your attention. The
2 Spanish issue I'm going to come back to.

3 Issue number two in regard to certain issues of
4 creditability. You've had the Turkish producers and more
5 recently the Ukrainian producers appear before the
6 Commission and testify that they had essentially no excess
7 capacity and no intention of re-entering the U.S. market in
8 any significant manner and the import volumes that you've
9 seen during the period of investigation directly contradicts
10 what they've testified to before.

11 Number three - certain witnesses testified today
12 in regard to the idea that tire bead or tire cord could only
13 be made in a BOF process which you know is untrue in regards
14 to the U.S. industry because it has been conceded already
15 that there are U.S. manufacturers making that.

16 I would point out I think even more importantly
17 - while it may not be legally relevant for the domestic
18 like product definition, there's publically available
19 information at least two subject producers or two subject
20 countries have producers who are making tire bead and tire
21 cord in the EAF process and it's publically available on
22 their webpage.

23 They explicitly state that they are EAF producers
24 and they are making these products and we've given them to
25 the Secretary to introduce into the record. Those two

1 countries by the way are Spain and Belarus.

2 I would also point out that while the witness
3 from the Spanish EAF producer was present at the staff
4 conference after there was a decision evidently to emphasize
5 this argument that it could only be made in the BOF process,
6 he's not here today. They are three quick points.

7 Two or three larger issues - obviously the death
8 of two U.S. producers during the period of investigation is
9 particularly probative evidence. And what we heard in
10 response were at least 6 or 7 references to either problems
11 at the bay or other miscellaneous excuses or explanations
12 why in their belief, there is absolutely no causal
13 connection between the presence of subject imports and the
14 health of these two producers.

15 So I would just point out on the one hand you
16 have essentially these unsupported assertions in regard to
17 its severing a causal connection. And on the other hand you
18 have the contemporizing statements of the company -
19 companies, when they were idling these facilities.

20 You have sworn testimony from the U.S.W.
21 representing the workers at this time. You had numerous
22 sworn testimonies in other injury proceedings before this
23 Commission in regard to the effective imports on these
24 producers.

25 And on top that that you have previous Commission

1 findings indicating that these producers had been injured by
2 imports. And on top of that you have trade adjustment
3 assistance, TAA decisions by other branches of the United
4 States Government finding that these workers lost their jobs
5 as a result of imports.

6 And on top of that we will be providing
7 additional information in our post-hearing Brief. I would
8 point that out as pure creditability determination.

9 Maybe two last things - very quickly. It had
10 been argued that imports came in because the domestic -
11 some of the producers wanted an alternative source of
12 supply. But the purchasers told you that's not the case and
13 I quote from the staff report and this is from page V-32.
14 "Of the 38 responding purchasers, 24 reported that since
15 2014 they had purchased imported wire rod from subject
16 countries instead of U.S. produced product."

17 18 of those purchasers reported that subject
18 import prices were lower than the U.S. produced product and
19 17 of these purchasers reported that price was a primary
20 reason for the decision to purchase imported product rather
21 than U.S. produced product.

22 Or put a different way - 44% of responding
23 purchasers told you that they bought imports, rather than
24 domestically produced product because they were lower
25 priced. And it appears that at least one member of opposing

1 counsel has conceded this point.

2 Last but not least, price petition effects are an
3 important element of this case. When asked if they believed
4 that the filing of the Petitions in this case had effects on
5 the volume of imports, it appeared that opposing counsel
6 didn't have anything to say at this time.

7 But I would again point you to pages 2 and 3 of
8 our pre-hearing Brief that has more than a half a dozen
9 quotes directly from purchasers affirming the fact that
10 while it was a mild recovery for the domestic industry or
11 some small improvement, it's directly tied to the filing of
12 the Petitions in this case, thank you.

13 CLOSING REMARKS OF PAUL C. ROSENTHAL

14 MR. ROSENTHAL: I'll wrap up with a few points.
15 First, Commissioner Johanson's question to Mr. Cunningham
16 and the Respondents on what I regard as an incredible theory
17 of theirs, which is that if subject imports are merely
18 replacing unfairly traded imports from China, that somehow
19 there's no volume affect, I suggest that there's no basis
20 for that.

21 Mr. Cunningham claims that there's a case or two
22 that supports that proposition. I suggest that you take a
23 close look at that case and you'll see it is in apposition
24 and to the extent it has relevance in any way it's wrongly
25 decided. And I will take a page from Mr. Cameron and ask a

1 rhetorical question because I know I can't ask you a real
2 question and ask is it possible - could you ever imagine
3 the Commission in its right mind concluding that it's okay
4 for imports to come in to the level of the Chinese in 2013
5 and having made an affirmative injury determination as a
6 result of that volume of imports that anything that came in
7 after that that's unfairly traded as long as it's below the
8 peak of 2013 that's okay and it wouldn't be injurious. I
9 can't imagine an affirmative answer to that question because
10 what would the result of that be? It means that you could
11 reach an affirmative determination and then it's a
12 free-for-all from that point on for any producer to dump and
13 injury the domestic industry as long as they didn't reach
14 that previous volume threshold or market share threshold.
15 You'll never reach that determination. I have total
16 confidence in you.

17 And by the way, there's another area which I'm
18 sorry to say Mr. Cunningham and company have totally misread
19 the law and cases there and trying to get you to throw out
20 the AchlerMittal Georgetown data and the data involving the
21 Republic Lorain facility. They cite a couple cases and
22 they're totally in opposite. The cases they cite for the
23 proposition you should exclude those companies from the
24 industry have totally different facts than are ones
25 presented here. One of them, Titanium Sponge, Ms. Cannon

1 was involved with for Respondents the U.S. producer that
2 closed the facility testified to the ITC that the closure
3 had nothing to do with the subject imports. That was the
4 company saying the closure had nothing to do with the
5 subject imports. Here we have just the opposite. The
6 companies were closing, saying that imports were the reason
7 for the closure.

8 And by the way, the time that that happened and
9 the quote that we had there from the AchlerMittal, for
10 example, was in 2015 after the second surge of imports came
11 in and they cited in their statement that imports had gone
12 up to 36 percent of the market, that included the subject
13 imports.

14 Mr. Cunningham's assertion, too, I think it was
15 in response to Commissioner Broadbent's question, but
16 perhaps another one suggesting that the statutory standard
17 of contributing cause or that the imports only had to be a
18 cause of injury didn't apply to this idea that the closures
19 of the facilities at Georgetown and Lorain had a different
20 standard and that somehow the entire reason for those
21 closures had to be imports. We suggest that's not the
22 case. We believe that if imports were a cause, and we
23 believe they were a cause of the closures, that suffices for
24 the purposes of the law.

25 My remaining time I do want to discuss some of

1 the other Respondent arguments. And in essence, what you
2 heard here, I would argue, is pretty contradictory. The
3 entire argument by the AWPA is these trade cases are the
4 reason why demand is down and the domestic industry is
5 losing market share and why is that, because these trade
6 cases make the wire rod prices go up higher and makes us
7 have to charge higher for our end product. Well, the law is
8 very clear that that argument is irrelevant. You cannot
9 only not consider it as a matter of law, but as a matter of
10 policy if you followed that approach in every one of these
11 cases there would be no case on behalf of suppliers of raw
12 materials or intermediate materials. You only have end
13 users being able to file cases here because only the impact
14 on them would matter and not on the millions of jobs
15 provided by intermediate suppliers to all the final
16 fabricators of products.

17 The law and Congress has made it clear that's
18 not the right approach to take and you have always followed
19 the statutory directive and congressional intent in that
20 regard.

21 I will say as a matter of fact all they've done
22 in making that argument is reinforcing the importance of
23 price in the decisions here. And I want to just turn to the
24 slides a little bit later on purchasers. Now they seem to
25 suggest, some of the purchasers, that they had some

1 confusion. Now this is not - these are not the ballots in
2 West Palm Beach in 2000. I don't see any hanging chads
3 here. This is a pretty clearly core set of questions here
4 which say did you purchase imports. Did you purchase
5 because the prices were lower? How much did you purchase?
6 It's pretty straight forward. And you had 75 percent --
7 maybe not the folks in the back who couldn't necessarily
8 understand these questions, but 75 percent of the
9 Respondents said, yes, we did exactly those things. We
10 purchased imports because they were lower priced. How much
11 more direct admissions can you expect in a case like this?

12 And by the way, the next slides, which were
13 confidential, you had actual quotes from these purchasers
14 saying, yeah, we did that. We bought it because it was
15 lower. We have to compete. No surprises there because you
16 always found that price is paramount in purchasing decisions
17 in wire rod cases. So this case is no different than any
18 other, except you've got a great deal of evidence by
19 admissions by the purchasers who respond to your
20 questionnaire.

21 And by the way, I know it's not legally
22 possible, but I would like to take the entire transcript of
23 this afternoon's responses to your questions and submit it
24 as an affidavit in support of our case because there's so
25 many responses that basically admitted the primacy of price

1 and that the reason why they are here and so concerned is
2 because of the impact of these cases on their prices.

3 I have to say something, though, that was a
4 little disturbing because I don't think - and I totally
5 understand why price is important to them. In many
6 respects, they're the customers of our clients here and
7 these are my clients and I totally am sympathetic with their
8 need to be competitive and so we bring these cases with
9 great reluctance, but it's a matter of survival for this
10 industry. You saw the profitability numbers there. They
11 cannot survive making profits in 1 percent, 2 percent, 3
12 percent per years. How do you expect them to invest in
13 these facilities? How do you expect heavy manufacturing
14 facilities to continue to modernize? They can't do this at
15 that level, so they've got to bring these cases and it's not
16 because they want to hurt their customers. They have no
17 choice.

18 I will say, though, the notion that we have no
19 bicycle industry here or other end users because of wire rod
20 cases is ridiculous. I worked on a bicycle case. I was
21 here 20 years ago and I have to say it's one of the very few
22 cases I've lost as a Petitioner. It had nothing to do with
23 wire rod. It had to do with everything with dumping by the
24 Chinese. And why did the ITC make a negative determination
25 in that case? Here's why. And this is a cautionary tale

1 for anybody who's involved in international trade cases.
2 The entire case that the Commerce -- by the way, at that
3 time, the European Union found the Chinese to be dumping by
4 substantial margins in the EU.

5 The Mexican authority found the Chinese to be
6 dumping by substantial margin in Mexico. In the U.S. there
7 was one company who was the biggest supplier for whom the
8 Commerce Department found a very, very low, de minimis
9 margin. And why was that? Because one staff member at the
10 Commerce Department decided that the surrogate values there
11 and the precise financial reports for one company matched
12 better than the others and by using a financial figures for
13 one company rather than others that we argued for resulted
14 in a zero dumping margin.

15 The result of that was when the case came over
16 to the ITC you found a de minimis - you had to exclude
17 their volumes. It had nothing to do with wire rod, but it
18 had to do with decisions by one person and now we're here.
19 And the decision that you make here - you individuals, just
20 as the folks at Commerce made, will decide the fate of this
21 industry. If your decision is it's okay for the next wave
22 of these 10 subject countries to come in and take the
23 Chinese market share and more and that's okay and that's not
24 considered injury, then there will not be these folks in the
25 room around for a next wave of cases. They will take the

1 place of the Georgetown steel facility and the others who've
2 exited the industry because there will no longer be relief.

3 So I urge you on behalf of the workers in these
4 companies to make an affirmative determination in this case
5 so that they will be back and so they will work with their
6 customers in the future to be able to create jobs and create
7 steel products from wire rods in the United State. Thank
8 you.

9 VICE CHAIRMAN JOHANSON: The Respondents may
10 come forward for their rebuttal and closing statement.

11 MR. CONNELLY: I guess I'm going first. You
12 want to go first? Go ahead.

13 CLOSING REMARKS OF NANCY A. NOONAN

14 MS. NOONAN: We have a question too about who is
15 not here today. Where is AchlerMittal and Republic? If
16 they really thought that their mills closed because of these
17 subject imports, I am sure they would want to tell you their
18 story in person here today, but they are not here.

19 The Commission should find that there was no
20 material injury or threat of injury to the U.S. wire
21 industry by reason of subject imports. The data compiled by
22 the Commission, the pre-hearing staff report, and the
23 testimony provided today show that the domestic industry,
24 which is highly integrated and in many ways insulated from
25 competition by imports did not lose significant market share

1 during the period of investigation and performed at levels
2 that do not support a finding of injury or threat of injury.

3 The domestic industry is insulated from import
4 competition through upstream and downstream integration.
5 Their America requirements, their great ability and
6 flexibility in satisfying customer preferences and
7 logistical advantages due to transportation barriers to
8 imports, these advantages are reflected in steady capacity
9 utilization rates and other positive performance
10 indicators; particularly, when internal transfers to
11 affiliated downstream wire producers and fabrication
12 operations are taken into account.

13 More important, any declines in the U.S.
14 industry volume and market share over the POI are the result
15 of the reductions in U.S. production of wire rod that are
16 not attributable to imports. Again, AchlerMittal and
17 Republic is really what they hang their entire case on.
18 When these reductions are properly accounted for, the data
19 show that the U.S. industry's commercial shipments and
20 market share held steady or increased over 2014 to 2016, see
21 Tom Trendl's Exhibit A.

22 Declines in sales value appear to be related
23 primarily to substantial decreases in raw material prices.
24 The lower profits for the industry, as a whole, are
25 attributable to the anomalous cost and expense circumstances

1 of one or two companies that have had an outsized affect on
2 the aggregate data rather than the actual declines in
3 profitability. We ask that the Commission make a negative
4 determination.

5 CLOSING REMARKS OF WARREN E. CONNELLY

6 MR. CONNELLY: For the first time, the Commission has
7 collected specific and extensive data concerning grade 10/80
8 and higher tire cord. This information provides a picture
9 that the Commission has never before seen. Fifteen years
10 after the Commission considered the grade 10/80 issue the
11 domestic industry still cannot constantly produce grade
12 10/80 tire cord and higher. In contrast, the domestic
13 industry can produce every other product that is within the
14 scope of this investigation. These facts have legal
15 significance; specifically, the documented inability of the
16 domestic industry to consistently produce grade 10/80 in an
17 EAF without using BOF billets helps to establish the clear
18 dividing line.

19 We acknowledge that the domestic industry has
20 tried to produce grade 10/80 tire cord. They may even have
21 made some commercial sales, but the unanimous view of the
22 purchasers expressed today and in the questionnaire
23 responses is that they simply cannot do it on a consistent
24 basis and we submit that a continuum cannot exist when the
25 domestic industry cannot establish a commercially viable

1 position in the market.

2 If it was so easy to produce grade 10/80 tire
3 cord as the Petitioners seem to claim this morning, then
4 most or all of the EAF producers would be in this business.
5 Apparent consumption is large enough and the prices are much
6 higher than industrial grades of wire rod. It's an ample
7 incentive. The lack of production by the domestic industry
8 demonstrates there is something very different about grade
9 10/80 and higher product compared to grade 10/70.

10 Now with respect to Spain and Belarus, we don't
11 say that they can't make it. It can't be done. It's just
12 very hard to do. Those producers in Spain and Belarus have
13 somehow managed to do it. The U.S. producers have not.

14 The other thing there are no adverse price
15 affects. There's no evidence of underselling. There is no
16 evidence of price depression or suppression with respect to
17 grade 10/80 and tire cord. When you boil it all down, the
18 domestic industry is seeking an undeserved windfall even
19 though they're not able to enter the market. Either they
20 can't make the product or they want to make the product.
21 You heard how they minimized the size of the market this
22 morning. Under all these circumstances, we urge you to find
23 the separate like product and to reach a negative
24 determination. Thank you.

25 CLOSING REMARKS OF DONALD B. CAMERON

1 MR. CAMERON: Members of the Commission, very
2 quick, we were just presented these two document evidencing
3 that apparently the Belarus and Seltza can produce tire cord
4 in bead wire - apparently, although it's not explicit here,
5 10/80 and above, in electric arc furnaces.

6 Number one, again, to repeat Warren, if it was
7 that easy then one would've thought that the Petitioners
8 could do so in their EAF furnaces and they haven't. Kiswire
9 worked for a year and a half with Georgetown Steel to try
10 and develop this capacity, a year and a half. They did the
11 same with Everz, a year and a half. They were unsuccessful.

12 Secondly, both Bekaert and Kiswire have a number
13 of mills, tire cord and bead wire mills around the world.
14 Kiswire alone has 40. They have not qualified either of
15 these mills and if they could produce it they would be more
16 than happy to qualify them. They haven't. And there's no
17 evidence whatsoever that what these guys produce would
18 qualify for the U.S. tire manufacturers. So it's
19 interesting, but frankly, it's not relevant to where we
20 are. Thank you.

21 VICE CHAIRMAN JOHANSON: Thank you for your
22 closing statements. I will now read the closing statement
23 for the Commission. Post-hearing briefs, statements
24 responsive to questions and requests of the Commission and
25 corrections to the staff report must be filed by November

1 27, 2017. Closing of the record and final release of data
2 to parties occurs on December 13, 2017 and final comments
3 are due on December 15, 2017. And this hearing is now
4 closed.

5 (Whereupon at 4:10 p.m., the hearing was
6 adjourned.)

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Carbon and Certain Alloy Steel Wire Rod From Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, The United Arab Emirates, and The United Kingdom

INVESTIGATION NOS.: 701-TA573-574 and 731-TA-1349-1358

HEARING DATE: 11-16-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 11-16-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Duane Rice
Proofreader

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

Ace-Federal Reporters, Inc.
202-347-3700

complete verbatim recording of the proceedings.

SIGNED: Larry Flowers
Court Reporter

