

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
ALUMINUM WIRE AND CABLE FROM CHINA ) 701-TA-611 AND 731-TA-1428  
 ) (PRELIMINARY)

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Place: Washington, D.C.  
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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
ALUMINUM WIRE AND CABLE FROM CHINA ) 701-TA-611 AND  
 ) 731-TA-1428  
 ) (PRELIMINARY)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Friday, October 12, 2018

The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Elizabeth Haines,  
Supervisory Investigator, presiding.

1 APPEARANCES:

2 Staff:

3 William R. Bishop, Supervisory Hearings and  
4 Information Officer

5 Sharon Bellamy, Records Management Specialist

6 Tyrell T. Burch, Program Support Specialist

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8 Elizabeth Haines, Supervisory Investigator

9 Keysha Martinez, Investigator

10 Mark Brininstool, International Trade Analyst

11 Karl Tsuji, International Trade Analyst

12 Amelia Preece, Economist

13 John Henderson, Attorney/Advisor

14 Peter Sultan, Attorney/Advisor

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1 Opening Remarks:

2 In Support of Imposition (Sydney H. Mintzer, Mayer Brown  
3 LLP)

4 In Opposition to Imposition (Daniel L. Porter, Curtis,  
5 Mallet-Prevost, Colt & Mosle LLP)

6 In Support of the Imposition of Antidumping and  
7 Countervailing Duty Orders:

8 Cassidy Levy Kent LLP

9 Adduci, Mastriani & Schaumberg LLP

10 Washington, DC

11 on behalf of

12 Encore Wire Corporation ("Encore")

13 Daniel Jones, Chairman, President and Chief Executive  
14 Officer, Encore

15 Kevin Kieffer, Vice President Sales & Marketing, Encore

16 Jack A. Levy, Myles S. Getlan and Deanna Tanner Okun -  
17 Of Counsel

18

19 Mayer Brown LLP

20 Washington, DC

21 on behalf of

22 Southwire Company, LLP

23 Aaron Asher, Senior Director of Building Wire Products,  
24 Southwire Company, LLP

25 Sydney H. Mintzer and Mickey Leibner - Of Counsel

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

3 Curtis, Mallet-Prevost, Colt & Mosle LLP  
4 Washington, DC

5 on behalf of

6 Priority Wire and Cable

7 Candice Hill, Chief Financial Officer, Priority Wire  
8 and Cable

9 Rob Strahs, Vice President, National Accounts and  
10 Marketing, Priority Wire and Cable

11 Daniel L. Porter, James P. Durling and Gina Colarusso -  
12 Of Counsel

13

14 Interested Parties In Opposition:

15 Houston Wire & Cable Company  
16 Houston, TX

17 James Pokluda, President and Chief Executive Officer,  
18 Houston Wire & Cable Company

19

20 Rebuttal/Closing Remarks:

21 In Support of Imposition (Jack A. Levy, Cassidy Levy Kent  
22 LLP)

23 In Opposition to Imposition (James P. Durling, Curtis,  
24 Mallet-Prevost, Colt & Mosle)

25

## I N D E X

1		
2		Page
3	In Support of Imposition (Sydney H. Mintzer,	
4	Mayer Brown LLP)	8
5	In Opposition to Imposition (Daniel L. Porter, Curtis,	
6	Mallet-Prevost, Colt & Mosle LLP)	11
7		
8	Daniel Jones, Chairman, President and Chief Executive	
9	Officer, Encore	15
10		
11	Kevin Kieffer, Vice President Sales & Marketing,	
12	Encore	19
13		
14	Aaron Asher, Senior Director of Building Wire Products,	
15	Southwire Company, LLP	23
16		
17	Candice Hill, Chief Financial Officer, Priority Wire and	
18	Cable	62
19		
20	Rob Strahs, Vice President, National Accounts and	
21	Marketing, Priority Wire and Cable	68
22		
23	James P. Durling, Curtis, Mallet-Prevost,	
24	Colt & Mosle LLP	82
25		

I N D E X

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

Page

In Support of Imposition (Jack A. Levy, Cassidy Levy Kent LLP)	113
In Opposition to Imposition (James P. Durling, Curtis, Mallet-Prevost, Colt & Mosle)	119

## P R O C E E D I N G S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
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9:30 a.m.

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

MS. HAINES: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of the antidumping and countervailing duty Investigation Nos. 701-TA-611 and 731-TA-1428 concerning Aluminum Wire and Cable from China.

My name is Elizabeth Haines. I am the Supervisory Investigator on these investigations and I will preside at this conference. Among those present from the Commission Staff are from my right John Henderson, Keysha Martinez, Peter Sultan, Amelia Preece, Karl Tsuji and Mark Brininstool.

I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn in before presenting testimony.



1                   Are there any questions? Mr. Secretary, are  
2                   there any preliminary matters?

3                   MR. BURCH: Madam Chairman, I would like to note  
4                   that all witnesses for have been sworn in and there are no  
5                   other preliminary matters.

6                   MS. HAINES: Very well, let us begin with opening  
7                   remarks.

8                   MR. BURCH: Opening remarks on behalf of those in  
9                   support of imposition will be given by Sydney H. Mintzer of  
10                  Mayer Brown. Mr. Mintzer, you have five minutes.

11                  OPENING STATEMENT OF SYDNEY H. MINTZER

12                  MR. MINTZER: Good morning. My name's Sydney  
13                  Mintzer. I'm a partner of Mayer Brown appearing today on  
14                  behalf of Southwire, the largest U.S. Producer of aluminum  
15                  wire and cable or AWC that is the subject of this  
16                  investigation.

17                  We appear today as co-Petitioner and are joined  
18                  by Encore Wire Corporation and its Counsel. The U.S.  
19                  Aluminum Wire and Cable Industry forms the backbone of the  
20                  national electric grid and the products at issue in this  
21                  investigation are critical to that grid. As the single  
22                  conductor, you might see AWC connecting your home to  
23                  utility pole.

24                  AWC can also be buried underground with single or  
25                  multiple conductors distributing electricity from a utility

1 source to a user's electric channel, whether at a home, a  
2 multiuse building, a football stadium. AWC is critical to  
3 the safe, reliable supply of electricity in the United  
4 States.

5 As a commodity product, the conditions of  
6 competition in the AWC industry are such that AWC is  
7 primarily sold on the basis of price. For any particular  
8 application, imports and U.S. Produced AWC are  
9 interchangeable and compete head-to-head on a national  
10 basis.

11 As you will hear from our industry witnesses,  
12 importers of AWC from China have aggressively discounted  
13 their prices off of established price lists forcing U.S.  
14 Producers into the unenviable position of having to choose  
15 between unprofitable prices to maintain volume or losing  
16 sales completely.

17 It is through these aggressive discounts and a  
18 pattern of underselling that we expect will be confirmed by  
19 the confidential record, that Chinese Imports of AWC have  
20 surged in the market and captured market share at the  
21 expense of U.S. Producers.

22 Indeed, Subject Imports increased by over 50  
23 percent between 2015 and 2017 with further increases across  
24 the interim period. Importers of Chinese AWC have led the  
25 market lower and lower and these prices have eviscerated the

1 U.S. Industry's profitability, thereby causing injury.

2 Critically, the large and increasing volume of  
3 Subject Imports began early in the POI and ramped up since.  
4 The U.S. Industry experienced injury before the imposition  
5 of Section 232 duties on aluminum as heavily discounted  
6 Subject Imports have effectively imposed a ceiling on  
7 prices. The 232 duties on aluminum exacerbate this cost  
8 price squeeze that our witnesses will testify to later this  
9 morning.

10 Our witnesses will also explain that the Section  
11 301 duties failed to provide relief in the period of time  
12 since they were imposed. While importers initially  
13 increased prices in response to the 301 duties, prices have  
14 already begun to ratchet back. Without relief the Chinese  
15 AWC industry will continue to threaten U.S. Producers.

16 Available evidence provided in our Petition  
17 indicate that Chinese Producers have substantial unused  
18 capacity. More significantly the same Chinese subsidy and  
19 currency policies that have allowed the Chinese to unfairly  
20 expand in the U.S. Market show no signs of abatement.

21 With that, thank you very much and we look  
22 forward to providing you with testimony today.

23 MR. BURCH: Opening remarks in opposition to  
24 imposition will be given by Daniel L. Porter of Curtis,  
25 Mallet-Prevost, Colt and Mosle. Mr. Porter, you have five

1 minutes.

2 OPENING STATEMENT OF DANIEL L PORTER

3 MR. PORTER: Good morning. I will start by  
4 stating the obvious. This is a staff conference, not a  
5 hearing so let's talk about what needs to be done so that  
6 you have the most complete evidentiary record possible for  
7 the Commission to analyze in making its predetermination.

8 Let's begin with participant coverage. We have  
9 quite the unusual situation in this case. We have a  
10 preliminary injury proceeding in a trade case against China  
11 in which you have far better data for the import side than  
12 the U.S. Producer side. You have usable questionnaire  
13 responses for the overwhelming majority of the Subject  
14 Imports.

15 The coverage for U.S. Producers however is far  
16 different. You're missing important information from  
17 significant U.S. Producers. We respectfully urge you to do  
18 everything you can to get the information in time to allow  
19 parties to comment on Wednesday.

20 Next data issue: Pricing product definition.  
21 You'll hear later Rob Strauss with Priority Wire and Cable  
22 explaining why the pricing product definition that  
23 Petitioners got you to adopt for pricing product 2 is wholly  
24 inappropriate for any underselling analysis.

25 Very simply, the pricing product definition for

1 pricing product 2 was artfully constructed to include  
2 multiple high-priced premium wire and cable products offered  
3 by Southwire for which there are 0 imports from China. Rob  
4 will provide a simple fix for the definition of pricing  
5 product 2. We respectfully urge you to adopt the fix and  
6 seek corrected data from Southwire.

7           When you fix these evidentiary issues, proper  
8 coverage by U.S. Producers and correcting willfully  
9 distorted pricing product definition, you will have the  
10 evidentiary record you will have an evidentiary record that  
11 demonstrates that Petitioners are not entitled to an  
12 affirmative injury determination because the evidence does  
13 not support a conclusion that Subject Imports are causing  
14 current material injury to U.S. Producers.

15           Perhaps most importantly, a complete and  
16 corrected evidentiary record will show no adverse impact  
17 from Subject Imports. Indeed, the idea that these two  
18 petitions are currently suffering material injury from  
19 imports from China does not even pass the laugh test. These  
20 two Petitioners as well as other U.S. Producers are reaping  
21 substantial windfall from import restrictions that already  
22 have been imposed this year.

23           First, the Section 232 Duties allow Southwire and  
24 Encore to immediately raise their selling prices even though  
25 they get most of their aluminum raw imports from U.S.

1 Producers and what imports they do have come from Argentina  
2 which were exempted from the duties.

3 So Southwire and Encore were able to reap the  
4 benefits of a 10 percent increase in price without having to  
5 incur any of the increased cost. Then, on top of this  
6 windfall Southwire and Encore received another gift from  
7 President Trump from the Section 301 duties. This very  
8 Subject Merchandise was included on List 1 of the Section  
9 301 duties and therefore is currently subject to a 25  
10 percent extra import duty.

11 Again, Southwire and Encore immediately raised  
12 their prices and reaped the windfall without having to pay  
13 additional costs. Now, this not just speculation. We have  
14 a Southwire July 25th brand new price list that shows a 20  
15 percent increase in selling prices over their previous price  
16 list.

17 Moreover, Southwire increased their selling  
18 prices 20 percent at the very time that their cost for  
19 aluminum, as indicated by the LME index, was falling 8  
20 percent, indicating a 28 percent improvement in  
21 profitability. A current increase in profitability of 28  
22 percent does not constitute material injury from imports.

23 Southwire and Encore already have all of the  
24 import relief they need. Now, this is where your job, your  
25 work is so important. Southwire and Encore have willfully

1       timed their filing of their Petition in a deliberate attempt  
2       to have the Commission ignore this substantial increase in  
3       profitability.

4               Following standard practices, the Commission's  
5       questionnaire only sought data through June 2018. But this  
6       case mandates an exception. Given the dramatic effect of  
7       the imposition of a 25 percent import duty on the very  
8       Subject Merchandise, we ask you to seek data for the 3rd  
9       quarter of 2018.

10              Not having this data would cause the Commission's  
11       evidentiary record to be woefully inadequate. We ask you to  
12       collect the third quarter data. Thank you.

13              MR. BURCH: Would the panel in support of the  
14       Imposition of Antidumping and Countervailing Duty Orders  
15       come forward and be seated?

16              Madam Chairman, I would like to note this panel  
17       has 60 minutes for their testimony.

18              MR. LEVY: Thank you, Madam Chairwoman. This is  
19       Jack Levy of Cassidy Levy Kent. I'm joined by my law  
20       partner Myles Getlan as well as co-counsel Deanna Tauner  
21       Okun from the law firm of Adducci Mastriani on behalf of  
22       Encore Wire Corporation.

23              In a moment you will hear testimony from our  
24       industry witnesses, beginning with Encore's CEO Daniel  
25       Jones, as well as its Vice President and head of sales Kevin

1 Kieffer, followed by the head of the Aluminum Building Wire  
2 Group within Southwire, Aaron Asher. Also joined by  
3 counsel, as you know, for Southwire, Mr. Syd Mintzer and his  
4 colleague Mickey Leibner. So with that introduction, and  
5 without further ado, we're going to turn it over to the  
6 industry witnesses, but we obviously look forward to the  
7 question and answer period that follows.

8 So with that introduction, I give you Daniel  
9 Jones.

10 STATEMENT OF DANIEL JONES

11 MR. JONES: Thank you, Jack. Good morning. My  
12 name is Daniel Jones and I'm Chairman, President, and CEO of  
13 Encore Wire Corporation. I am joined here today by our VP  
14 of Sales and Marketing Kevin Kieffer, as well as Mr. Asher  
15 from Southwire Company, who is a co-Petitioner.

16 Encore is a publicly traded company and a leading  
17 U.S. manufacturer of wire and cable products for commercial,  
18 industrial, and residential applications. We are  
19 headquartered in McKinney, Texas, and distribute to  
20 customers across the entire United States.

21 If you look at our public disclosures, you will  
22 see that our aluminum wire and cable business represents  
23 only a portion of our overall sales, but make no mistake,  
24 we're absolutely committed to the success of this business  
25 unit. In fact, it used to be a very profitable category for



1 our company. And for precisely this reason we made a  
2 decision in 2014 to invest tens of millions of dollars to  
3 upgrade our facility for the aluminum wire and cable plant.

4 Unfortunately, just as we were completing that  
5 investment, we began to witness unfairly competition from  
6 the Chinese, and the problem only seems to get worse. In  
7 some instances we see finished product from China being sold  
8 for less than the aluminum metal cost.

9 It is not fair competition. It is subsidized and  
10 dumped pricing, plain and simple. And this illegal behavior  
11 on pricing is destroying the value of our investment in  
12 aluminum wire cable production. It is injuring our business  
13 and threatening the welfare of our Texas plant workers.  
14 That's why I'm here today to enforce our rights under the  
15 U.S. trade laws and to remedy this illegal pricing activity  
16 by the Chinese.

17 I understand that you are charged with preparing  
18 a detailed staff report for the Commissioners to consider,  
19 so in our testimony this morning we're going to tell you  
20 about the product, including the physical characteristics  
21 and its uses.

22 We're going to briefly describe the production  
23 process. We're going to identify the demand drivers for  
24 aluminum wire and cable, and we'll talk about how the  
25 product is sold.

1           Finally, we're going to describe the role of  
2 price and how aggressive pricing from China has injured our  
3 business.

4           Before I hand things over to Kevin Kieffer, I'll  
5 kick things off by briefly describing the product and how we  
6 make it.

7           As you know, AWC products are insulated  
8 electrical conductors that are manufactured to meet industry  
9 standards and electrical codes. The manufacturing process  
10 begins with aluminum rod, which you can see here  
11 (indicating). We buy our rod in large reels, but other  
12 companies, including Southwire, self-produce their  
13 feedstock.

14           We draw the rod into--down into strands, which  
15 you can see here. We then combine multiple strands together  
16 to form a conductor such as this one (indicating). We then  
17 insulate the conductor, such as this with usually, with PVC  
18 or crosslink polyethelon.

19           When we are talking about a single conductor,  
20 we're usually talking about a wire similar to this. By  
21 contrast, if we twist or cable two or more conductors  
22 together, then the finished product is usually called a  
23 cable. This (indicating) is a sample.

24           Nearly all the AWC products are rated at 600  
25 volts, and they can consist of different aluminum alloys

1 such as 1350 or 8000 series. Each alloy imparts different  
2 combinations of electrical conductivity and tensile strength  
3 which make them more or less suitable for particular  
4 applications.

5 The type and thickness of the insulation  
6 influences the moisture and heat characteristics of the  
7 product and its applications. Thicker, or higher grade  
8 insulation, is needed for higher voltage applications. The  
9 insulation may also be covered with a nylon sheath to  
10 enhance the product's oil and gas resistance.

11 In some applications, AWC may be covered with an  
12 armor-cladding such as the examples shown here. As a  
13 general rule, when you talk about wire and cable the  
14 applications fall into three general categories: feeder,  
15 intermediate, and smaller circuit sized wiring.

16 In our experience, about 80 percent of the AWC  
17 sales are concentrated in the feeder segment. This would  
18 include the conveyance of power from the utility pole to the  
19 meter base, and from the meter base to the distribution  
20 panel board.

21 In these applications, the lighter weight of  
22 aluminum make a particularly attractive product. Almost all  
23 the remaining 20 percent of the AWC sales are focused on the  
24 intermediate segment, which could include branch circuits  
25 through a building. By contrast, smaller circuit sized

1 wiring is almost exclusively served by copper products.

2 Aggregate demand for aluminum wire and cable is  
3 fundamentally a function of macroeconomics such as growth in  
4 U.S. GDP, new industrial commercial construction, as well as  
5 building renovations, specific demand drivers. It is also  
6 the case that for certain applications AWC can be  
7 substituted for copper wire and cable.

8 Some years ago, demand for AWC grew as  
9 contractors identified the opportunity to value engineer  
10 with aluminum wire and cable. Again, aluminum wire and  
11 cable is generally preferred for feeder applications and, to  
12 some limited degree, for intermediate applications. For  
13 various reasons, AWC is generally not a feasible  
14 alternative for circuit applications.

15 With that introduction, I'll turn things over to  
16 Kevin Kieffer.

17 STATEMENT OF KEVIN KIEFFER

18 MR. KIEFFER: Hi. Kevin Kieffer, Vice President  
19 of Sales and Marketing with Encore Wire. I want to tell you  
20 about how we sell aluminum wire and cable and what we've  
21 been experiencing in the marketplace.

22 As a general rule, we are selling our product to  
23 electrical distributors who in turn sell to electrical  
24 contractors who are responsible for installation. This is  
25 at the same level of trade at which the Chinese product

1 competes.

2           For example, the Chinese material is commonly  
3 offered for sale through a master distributor such as King  
4 or Priority. Just like Encore, these master distributors  
5 compete for sales to electrical distributors across the  
6 country.

7           It is important to bear in mind that the aluminum  
8 wire and cable is a commodity product and is produced to  
9 industry standards and electrical codes. Because it's a  
10 commodity product, customers really only care about two  
11 things: that you have the particular item available for  
12 shipping; and are you the lowest price?

13           At Encore we pride ourselves in offering short  
14 lead times and outstanding customer service. For the most  
15 common items sold out of inventory, we're shipping within 24  
16 hours, often on the same day, and for less common items we  
17 ship in just a few days--almost always less than a week's  
18 time. But when it comes to price, we're getting clobbered  
19 by the Chinese. Let me try to explain to you how this price  
20 competition takes place.

21           All major suppliers maintain a price sheet with  
22 list prices which may be updated from time to time based on  
23 changes in aluminum metal prices or other market conditions  
24 such as freight.

25           Of course nobody sells at this price. Rather,

1 they compete by offering a percent discount off of their  
2 list prices. On a daily basis we are quoting a discount off  
3 our list price sheet with the goal of covering our costs and  
4 generating a profit. But what our customers tell us day  
5 after day is that we are not competitive on price because  
6 the discount offered for the Chinese material is  
7 significantly greater.

8           And so every day we are forced to decide between  
9 losing business or meeting the Chinese price and selling at  
10 a loss. What often happens is the electrical distributor  
11 seeks to fill up on cheap Chinese product for those  
12 high-volume items from the master distributor, and then they  
13 come back to us to fill the remainder of the order at our  
14 higher prices.

15           Put another way, when a distributor solicits bids  
16 for a new order, the Chinese take the cake, and Encore is  
17 left with the crumbs. The only reason we lose out is price.  
18 And make no mistake, this is not just a question of lost  
19 sales volumes. The presence of low-priced Chinese imports  
20 in the market is also placing a ceiling on the prices that  
21 we can charge to our customers.

22           It is no secret that the cost of our aluminum  
23 feedstock has been rising for more than a year. In this  
24 environment of rising material costs, our gross margins are  
25 getting squeezed every day. When the President imposed the

1 Section 301 Duties on AWC in July of this year, there was a  
2 glimmer of hope. Priority actually notified its customers  
3 that it would be raising prices to account for the import  
4 duties. But within a couple of weeks, master distributors  
5 supplying Chinese product reverted to the same aggressive  
6 behavior, offering deep discounts that equate to  
7 ridiculously low uneconomic prices.

8 I think I'll stop here. I know Deanna has more  
9 to add, and we also want to give Southwire a chance to  
10 describe their experience. Thank you.

11 MR. JONES: Thanks Kevin. This is Daniel Jones  
12 again for Encore. Let me just say that the aggressive  
13 pricing behavior that Kevin described is the worse I've seen  
14 in my 29 years with the company. It is possibly because of  
15 illegal subsidies and dumping, and U.S. manufacturers like  
16 Encore are being made to suffer the consequences.

17 I spoke earlier this morning about our recent  
18 investments in aluminum wire cable production. We have a  
19 world class facility, we have world class delivery and we  
20 have world class customer service. We're a lean  
21 manufacturer, but because of illegally priced Chinese  
22 product, we're failing to earn an acceptable return on our  
23 investment.

24 Our capability utilization is a fraction of what  
25 it should be. Our ability to raise prices to pass through

1 increased metal costs is completely under pressure. I  
2 realize that Encore is not the only U.S. producer, or not  
3 even the largest U.S. producer of aluminum wire and cable,  
4 but I cannot imagine that our experience is much different  
5 than others.

6 We're materially injured, and unless there are  
7 trade remedies to address illegal subsidies and dumping,  
8 China will continue to threaten the health of our aluminum  
9 wire cable business. Thank you.

10 STATEMENT OF AARON ASHER

11 MR. ASHER: Thank you, Daniel. Good morning and  
12 thank you for the opportunity to testify today. My name is  
13 Aaron Asher, and I'm the Senior Director of Building Wire  
14 Products at Southwire Company. I've been at Southwire for  
15 12 years. In my current capacity at Southwire, I'm  
16 responsible for the profitability, serviceability and  
17 innovation of Southwire's aluminum building wire products.

18 Southwire, a family-owned business in  
19 Carrollton, Georgia, employs more than 7,500 people and is  
20 North America's leading manufacturer of wire and cable used  
21 in the transmission and distribution of electricity.

22 Southwire is a leading U.S. manufacturer of the aluminum  
23 wire and cable or AWC at issue in this proceeding. We  
24 produce AWC at six manufacturing facilities in Georgia and  
25 Mississippi.



1           I'd like to talk to you today about how the AWC  
2 market works, and the injury Southwire suffered as a result  
3 of the unfairly traded imports of AWC from China. First,  
4 the term AWC refers to the range of commodity products used  
5 for electrical power in residential, industrial and  
6 commercial applications.

7           AWC products are produced to industry-wide  
8 standards. That means that a given AWC product is  
9 interchangeable regardless of whether the manufacturer is  
10 Southwire, Encore or a Chinese producer. It is important to  
11 note that AWC is not universally interchangeable with other  
12 types of wire such as copper.

13           When Southwire bids on a project, such as  
14 providing wire to a data center or mixed use commercial  
15 building, the project specifications dictate whether  
16 aluminum or copper is to be used. Therefore, Southwire is  
17 never in a position of pricing its AWC against copper  
18 alternatives. Moreover, half of our AWC sales are in  
19 applications for which copper is simply never used.

20           For example, copper is much heavier than  
21 aluminum and thus can't be used for overhead applications.  
22 Copper is also much more expensive than aluminum, and  
23 therefore is not used for most underground applications that  
24 carry power for miles and miles. On the other hand, local  
25 codes may require that certain types of wire must contain

1 copper rather than aluminum conductors.

2 For example, in most jurisdictions, copper is a  
3 required metal for in-home wiring. AWC is rarely used for  
4 that application. Further, once a project relies on either  
5 copper or aluminum, it is industry standard that replacement  
6 wire be installed of the same metal. Copper and aluminum  
7 cannot be easily or safely interconnected. As a result,  
8 copper and aluminum largely function in parallel markets.

9 Southwire primarily sells our AWC products  
10 through distributors. We compete for the same customers as  
11 other U.S. manufacturers and AWC importers. Since all AWC  
12 of a given standard product is interchangeable, the AWC  
13 market is highly competitive and AWC is sold primarily on  
14 the basis of price. The AWC market is also a highly  
15 transparent one. Generally speaking, AWC manufacturers  
16 publish price sheets with prices listed for a range of  
17 different AWC products. Manufacturers then make sales to  
18 customers on a transaction-specific basis, with discounts  
19 applied to the list prices.

20 Customers routinely compared quoted prices and  
21 discounts from various manufacturers before deciding where  
22 to purchase the product. Further, customers inform us  
23 directly to the various quotes they have received in an  
24 effort to play manufacturers off one another. When a  
25 customer has received a lower quote from a competitor, that

1 customer often tells us.

2 Furthermore, when we quote that customer a  
3 price, that customer normally asks us to beat the price of  
4 the Chinese imports. Over the past several years, Chinese  
5 AWC has flooded the market and has traded at prices that  
6 significantly undercut those of Southwire and other U.S.  
7 producers. We have tried to increase prices, and the market  
8 understands that when we issue a price list with higher  
9 prices, that's what we're trying to do.

10 But it doesn't seem to matter. Chinese prices  
11 are sold at such a deep discount that market prices are  
12 continually driven lower. Because the AWC market is so  
13 transparent and because the market is primarily based on  
14 price, the lower prices of Chinese imports have left  
15 Southwire with two choices. We either forfeit sales to  
16 Chinese producers, or match the prices of Chinese products  
17 and lose profits.

18 In order to stay competitive, Southwire has  
19 taken both approaches dependent on the situation. As a  
20 result, we have lost market share, while subject imports  
21 from China have seen significant increases in market share.  
22 The profitability of our Building Wire Division has suffered  
23 significantly, as demonstrated in our petition.

24 Despite being undersold, Southwire's costs have  
25 also increased during the Period of Investigation, meaning

1 that we are experiencing a cost-price squeeze. The Section  
2 232 duties, which have resulted in the increased price of  
3 our raw materials, have only exacerbated that cost-price  
4 squeeze. When the Section 301 duties were imposed earlier  
5 this year, things improved but only in the very short term.

6 Prices increased to account for the duties, but  
7 have since ratcheted back down over the past few months.

8 All of this has occurred against a backdrop of overall  
9 market growth and increased demand for AWC products.

10 Southwire has been unable to take advantage of this growth.

11 Indeed, since 2015 the U.S. market has grown,  
12 while Southwire's production and sales of AWC have  
13 decreased. While Chinese imports have gained overall  
14 market, U.S. producers have simply lost it. Thank you for  
15 your attention. I'd be happy to answer any questions you  
16 may have.

17 MR. LEVY: Madam Chairwoman, that concludes our  
18 industry witness presentations, but since we still have a  
19 fair amount of time, I'd like to just take a few minutes and  
20 preliminarily respond to some of the points highlighted by  
21 Mr. Porter in his opening remarks, I think because they  
22 warrant attention right off the bat I think. Again, I heard  
23 four points that I think warrant a response.

24 The first comment we heard from him this morning  
25 was that this was a deficient factual record, and that

1 causes him great concern. I think we would agree that a  
2 coverage of import volumes, both total imports and for that  
3 matter subject imports, is less than complete. We would  
4 also acknowledge that while all major U.S. producers have  
5 apparently answered a questionnaire, there are nonetheless  
6 significant gaps in some of the responses.

7 I would simply say this: The information that  
8 you have in front of you already provides more than a  
9 reasonable indication that subject imports caused material  
10 injury during the Period of Investigation and threaten  
11 continued further injury. I would also say to the extent  
12 follow-on efforts to further develop the record in the  
13 coming days falls short of completeness and accuracy.

14 American Lend all but dictates a preliminary  
15 affirmative finding. So we encourage you to do the best you  
16 can, but we have every confidence that the information  
17 already before you is more than adequate to support a  
18 preliminary affirmative determination. We also heard the  
19 charge, which we hear all too much from Mr. Porter, that we  
20 have gerrymandered the Period of Investigation for purpose  
21 of this prelim, that the petition was tactically timed to  
22 hide from your view the experience of the third quarter of  
23 2018 because lo and behold after Section 301 duties were  
24 imposed, everything is coming up roses and there cannot  
25 possibly be injury or threat thereof.

1                   But you have already heard sworn testimony today  
2                   from both Encore and Southwire that while -- when the 301  
3                   duties on aluminum wire and cable were imposed on July 6th,  
4                   and there was a fleeting period of announced price increases  
5                   from parties, the hopes of material improvement were  
6                   promptly dashed in a matter of weeks.

7                   Why? Because in a matter of weeks, regardless  
8                   of what the list prices said from various producers, the net  
9                   prices inclusive of the discounts off of the list prices,  
10                  were back to rock bottom levels. The Chinese were back to  
11                  their old behavior. We can't tell you exactly why that is.  
12                  Obviously it's the case that the Chinese government is in  
13                  the process of devaluing its currency to mitigate the impact  
14                  of Section 301.

15                  There's a lot of reports about actions within  
16                  China to offset or refund or rebate export taxes, and there  
17                  may be other things going on within China to offset or  
18                  neutralize the impact of Section 301 duties. We just don't  
19                  know at this point. There's also been reports, read an  
20                  article in The Wall Street Journal just a few days ago of  
21                  various instances of systematic tariff reengineering to  
22                  circumvent Section 301 duties.

23                  Any or all of these might explain why the  
24                  promise of the Section 301 duties was short-lived and lasted  
25                  only a matter of weeks. But whatever the explanation, it is

1 clear that this is an industry that remains materially  
2 injured, even after the third quarter. We've similarly  
3 heard the charge that we've gerrymandered the pricing  
4 products. There were three pricing products for purposes of  
5 the prelim.

6 This I believe was Product 1, an SER product.  
7 This is Product 2, the so-called Sweetbriar product, and  
8 this is Product 3. It's a single conductor product. The  
9 claim is that this product, Product 2, Sweetbriar, is  
10 somehow gerrymandered because the Chinese don't make it or  
11 that there's some difference in quality.

12 These are commodity products. Everyone has a  
13 Sweetbriar on their price list. We'll show you in the  
14 post-conference price lists from various distributors and  
15 producers, U.S. parties, distributors of Chinese products,  
16 all offering the same commodity Sweetbriar product. There's  
17 no gerrymandering here. There's offering of volume from the  
18 Chinese. There's offering of volume from the U.S., and it  
19 provides meaningful apples to apples comparisons.

20 The fourth comment we heard was that Section 232  
21 is sort of a meaningless development, insofar as it  
22 contributed to a cost-price squeeze. Why? Because somehow  
23 the U.S. producers are immune from those higher costs,  
24 either because they source domestically or because they  
25 source from Argentina, which is subject to a quota in lieu

1 of a tariff.

2 I can't speak for Southwire, except simply to  
3 note that our understanding is that they get their aluminum  
4 hot from their neighbor, according to publicly available  
5 data, and we can't speak to what that means for their costs.  
6 But they have told you that their cost-price squeeze is  
7 real.

8 Let me just tell you from Encore's point of  
9 view, the charge that Encore is sourcing duty-free rod from  
10 Argentina is absolutely 100 percent false. There's no basis  
11 in fact for this claim. It is just a theory without  
12 foundation. So with that introduction, I would simply thank  
13 you for your time and attention, and we look forward to your  
14 questions.

15 MS. HAINES: Thank you. We'll start questions  
16 with Ms. Martinez.

17 MS. MARTINEZ: Good morning. Thank you for your  
18 testimony and thank you for being here today. I'll start  
19 off with a few data-related questions. Is there anyone  
20 major that we're missing from our U.S. producer-importer or  
21 foreign producer data sets?

22 MR. LEVY: Jack Levy for Encore. The petition  
23 identifies all the known U.S. producers of aluminum wire and  
24 cable, and based on the public EDIS docket, it is apparent  
25 each of those companies have submitted a U.S. producer



1 questionnaire response. We obviously can't speak in public  
2 session to the adequacy of specific responses, but at least  
3 nominally you have complete coverage from the U.S. domestic  
4 industry.

5 With regard to the importers, it's readily  
6 apparent from a comparison of coverage, if you compare  
7 importer questionnaire data on the one hand to official  
8 import statistics for the most relevant subheading, that  
9 there is a slight majority, more than 50 percent of total  
10 imports covered, and better than that obviously for subject  
11 imports, but obviously much short of complete coverage by  
12 all appearances.

13 One of the most prominent distributors of  
14 Chinese origin aluminum wire and cable that we're aware is a  
15 company named King. It's identified in the petition and  
16 according to the EDIS docket, King has not supplied a  
17 response. There are other distributors identified in the  
18 petition that are likely of significance, and we can spell  
19 that out in greater detail in our post-conference  
20 submission.

21 MS. MARTINEZ: Thank you. And do you agree that  
22 official import statistics are the most accurate measure for  
23 this product?

24 MR. LEVY: With respect to subject imports, we  
25 believe that that tariff subheading that is used for

1 purposes of the petition is the most reasonable indication  
2 of import volumes. We do not yet have sufficient knowledge  
3 or information to say definitively that the import  
4 statistics vis-a-vis non-subject countries is necessarily as  
5 complete or as accurate, and we'll continue to study that  
6 and try to give you a more definitive response  
7 post-conference.

8 MS. MARTINEZ: Do you know why it wouldn't be as  
9 accurate for non-subject imports, and what would be the  
10 reason for --

11 MR. LEVY: So yeah. So speaking for Encore and  
12 Southwire may have more knowledge, Encore has much better  
13 industry intelligence vis-a-vis subject import competition  
14 than it does for non-subject import competition. So it's  
15 simply just a lack of complete information. But with  
16 Southwire's knowledge, we may be able to round out a  
17 complete response.

18 MR. MINTZER: Yeah. This is Sydney Mintzer.  
19 Certainly something we can look at for post-conference  
20 brief. I don't know that we have anything to report here at  
21 this time.

22 MS. MARTINEZ: Thank you. So to your knowledge,  
23 is there anything being entered into the U.S. under this HTS  
24 number that wouldn't be subject product?

25 MR. LEVY: To our knowledge, no.

1                   MS. MARTINEZ: Okay. Moving on to global trade  
2 atlas data, how accurate enough is that data to portray  
3 global export trends specific this product? Are they  
4 useful?

5                   MR. LEVY: We will study that and endeavor to  
6 provide you with a complete response. One of the things  
7 that we encountered is that it is not certainly the case  
8 that all countries are harmonized at the six digit level as  
9 it relates to aluminum wire and cable. I think the jury is  
10 out on that question, and so we will endeavor to provide you  
11 more detail post-conference.

12                   MS. MARTINEZ: Okay, thank you. In your  
13 testimony, you mentioned that Encore had a plant expansion  
14 in 2014. Can you describe that a little bit more, and what  
15 were the market conditions that motivated that expansion and  
16 what has changed since then that would lead you to bring a  
17 case before us?

18                   MR. DANIEL JONES: Daniel Jones with Encore. We  
19 expanded, we were buying product and shipping product along  
20 with some other product offering, and the demand was picking  
21 up.

22                   To satisfy the customer needs, to continue with  
23 our world class service and delivery, we added several  
24 hundred thousand square feet of building and quite a bit of  
25 equipment, state of the art equipment, and began to grow

1 that product category pretty rapidly to meet the market  
2 demand.

3 MS. MARTINEZ: And then what conditions have  
4 changed since 2014?

5 MR. DANIEL JONES: Yes ma'am. The difference  
6 today in the market would be that we are, specific to Encore  
7 is we're running at a limited capacity today, and we are not  
8 able to pass on cost of raw materials that came from the 232  
9 tariff on the aluminum. The Chinese pricing in the market  
10 has basically capped our ability to pass on rising costs.

11 MR. LEVY: Ms. Martinez, Jack Levy from Encore.  
12 If I could, I would refer you to Petitioner's Public Exhibit  
13 2. What you see here, and it's admittedly crude because  
14 it's based on public data and average unit values, but it  
15 provides a picture. So let me paint a picture for you.

16 What you have along the top are average unit  
17 values of Chinese imports of AWC on a landed duty-paid  
18 basis. Now admittedly, it doesn't control for product mix  
19 issues. It's an AUV. But if you look at the regression  
20 line, you obviously see prices going down progressively  
21 during the POI.

22 Along the bottom, you see essentially the  
23 domestic cost of aluminum metal. It's the LME price plus  
24 the U.S. Midwest premium, which is how this industry thinks  
25 about the U.S. domestic metal cost. What you see there,

1 again looking at the regression line, which is the dotted  
2 blue line, that is a cost that is increasing and frankly the  
3 rate of increase is more pronounced toward the end of the  
4 POI.

5 So what you see is an environment in which metal  
6 costs are going up, and there is a downward trend in import  
7 values from China. There is no question that low-priced  
8 imports from China are suppressing U.S. producer prices and  
9 depressing in many instances prices as a whole. The  
10 cost-price squeeze is palpable in this industry.

11 MS. MARTINEZ: Thank you. Do you produce  
12 alternative products on the same equipment, and how easy is  
13 it to shift production to those alternative products? What  
14 are the factors that would motivate the shift?

15 MR. DANIEL JONES: This is Daniel Jones with  
16 Encore. We do not. We have a stand-alone manufacturing  
17 plant for aluminum. We can't switch that from copper to  
18 aluminum or aluminum to copper without a significant  
19 investment and time it would take. You just can't run --  
20 the different metals characteristically are so different you  
21 can't really run them through the same system.

22 You would have to do some changeovers with a lot  
23 of the production process and operational efficiencies that  
24 we have in place. They don't transfer between the two  
25 metals. The characteristics of the metals don't allow that.

1                   MR. ASHER: This is Aaron Asher at Southwire.  
2                   I'll add to that. We do have facilities where we  
3                   manufacture and produce both aluminum wire cable and other  
4                   products. That being said, the process for switching over,  
5                   so to speak, is very, you know, it's very costly.

6                   MR. BURCH: Can you pull your mic a little  
7                   closer?

8                   MR. ASHER: It's very costly and inefficient.  
9                   It requires at times changing tooling, flushing out oils in  
10                  systems, and there are certain machinery like you discussed  
11                  earlier, Daniel discussed earlier, drawing and straining  
12                  machinery that can't be used for both.

13                  So while we do have the ability in some  
14                  instances to do it, it is a very costly and time-consuming  
15                  process that requires many hours of down time.

16                  MS. MARTINEZ: Thank you. According to our  
17                  preliminary data, inventory volumes as a ratio of U.S.  
18                  production, as a ratio of imports, are pretty high. Is this  
19                  typical of the industry? Why are inventory volumes so large  
20                  relative to production and relative to imports?

21                  MR. DANIEL JONES: Daniel Jones with Encore.  
22                  There's a rising demand for the aluminum product category as  
23                  commercial and industrial construction continues to rise on  
24                  a percentage basis. So the volume demand is simply there.  
25                  The inventories to satisfy that demand for production or a

1 project, depending on the specifications and the locations  
2 geographically whatever.

3 But you have to carry the inventory to service  
4 the customer from that standpoint. The problem with the  
5 inventory piece is to run it ahead of time to get ahead of  
6 the jobs or what have you, we just simply can't continue to  
7 have the costs that we're having and having the Chinese  
8 price in the marketplace cap the opportunity to take those  
9 prices up. So there is a little bit of an inventory build,  
10 I would guess, depending on the timing of the data.

11 MR. LEVY: Jack Levy for Encore. Just speaking  
12 again to Encore's data, I think what you find by and large  
13 is that the inventory volumes are relatively stable over  
14 time, but I think you correctly observed that it's a  
15 non-trivial amount in terms of absolute volume.

16 I think part of the explanation stems from what  
17 Mr. Kieffer testified to, which is what customers care about  
18 are two things, availability and price. On the availability  
19 point, keeping inventories allows you to deliver in a  
20 just-in-time basis, often within the space of 24 hours.

21 So that's part of being, providing good service  
22 to customers. On that score, U.S. producers pride  
23 themselves, Encore does, in being world class in terms of  
24 real time delivery.

25 MR. ASHER: Aaron Asher at Southwire. From our

1       standpoint, inventories over the last few years have been  
2       relatively flat. As Encore does, you know, with an  
3       opportunity in a growing market, you wanna be able to  
4       service that market, but unfortunately, as our inventories  
5       have stayed flat due to the pricing in the market, the  
6       low-level and the unfair price in the market from the  
7       Chinese imports, our sales and profits have declined, even  
8       though we have kept relatively flat inventories.

9               MS. MARTINEZ: And would you say these large  
10       volumes in inventory, importers are basically operating  
11       under the same principle, that they just need to have supply  
12       available?

13              MR. KIEFFER: This is Kevin Kieffer with Encore.  
14       The importers, the only way they can compete at all, as we  
15       had pointed out earlier, and Jack said also, it's price and  
16       availability. We're all kind of forced to have the  
17       inventory to even be able to compete in this market at all,  
18       and I think that's primarily where we are all competing  
19       right now. You have to have it in stock to be able to ship  
20       it and get any kind of an order in today's competitive  
21       market.

22              MS. MARTINEZ: Thank you. Looking at the import  
23       data, what role, if any, do nonsubject imports play in the  
24       market?

25              MR. KIEFFER: On a day-to-day basis, what my job



1 is to do, as I pointed out, is to make sure that we're  
2 selling at a profitable level. And the only problem I see  
3 in the market is specifically with the Chinese imports'  
4 pricing. The other imports don't affect us. In fact, the  
5 key thing is here, from my standpoint, is having a level  
6 playing field. And the Chinese definitely take that level  
7 playing field out.

8 MR. ASHER: I would just like to comment that,  
9 yes, I agree with what Kevin is saying. We are seeing  
10 imports from other countries. That being said, we are not  
11 seeing the predatory pricing that has had such a negative  
12 impact on the market from others besides the Chinese at this  
13 point.

14 MR. LEVY: Again, Jack Levy for Encore. I think  
15 that testimony is borne out by the data you see in Exhibit  
16 1. Which is, if you look at total import volumes, you see  
17 that, really, the source of the increase clearly is subject  
18 imports, a very pronounced increase in volume from China  
19 from 2015 to 2017 and a continued increase across the  
20 interim periods. So I think the testimony about low-price  
21 leadership from China is borne out by the volume trends from  
22 subject imports as compared with nonsubject imports.

23 MS. MARTINEZ: And looking at demand trends,  
24 would you say that demand has been increasing throughout the  
25 period of investigation?

1           MR. ASHER: In general, we have seen demand  
2 increase over the period of investigation -- won't -- like  
3 what we see with the GWP. The problem is, we just haven't  
4 been able to take advantage of it with increased sales and  
5 profits due to the low-priced Chinese imports.

6           MR. KIEFFER: Yeah, I agree. The vision that we  
7 have--or the view that we have--into the market, as far as  
8 the demand, the demand is there, but we are not able to  
9 capitalize on that. And in a market where demand is rising,  
10 virtually all producers get your own share of the market,  
11 and we have definitely that's where we've lost share. We're  
12 just unable to compete.

13           MS. MARTINEZ: Thank you. That concludes my  
14 questions for now.

15           MS. HAINES: Thank you. Mr. Sultan?

16           MR. SULTAN: Good morning. I just have a  
17 question about the effect of the 232 duties on the price of  
18 aluminum feedstock. The respondents claimed that domestic  
19 AWC producers source their aluminum either domestically or  
20 from Argentina. But wouldn't it be the case, if you're  
21 sourcing aluminum domestically, that domestic aluminum  
22 prices rose as well? Or in the wake of the 232 duties?

23           MR. JONES: Daniel Jones with Encore. You're  
24 correct, yes, sir. We source our aluminum feed from, I  
25 guess the best way to say it, is non-Argentina countries.

1 And I could speak to that more in the post-conference brief,  
2 but the supply in the U.S., domestic manufacturers of  
3 aluminum rod, has all but gone away as an industry.

4 There are still a few domestic producers, but  
5 what has happened as you've pointed out with the demand, the  
6 tightness, if you will, the supply and demand takes over,  
7 even here, and raises that overall cost of the shape of the  
8 metal, so depending on how you consume it.

9 MR. SULTAN: Thank you. And then just a question  
10 on the effect of the 301 duties. Mr. Levy, you stress that  
11 the effect was short-lived and lasted only a few weeks.  
12 What exactly happened? I mean, did Chinese suppliers  
13 suddenly slash their prices? Immediately slash their  
14 prices?

15 MR. LEVIN: I think Kevin Kieffer should speak to  
16 that, since he lived it just a few months ago.

17 MR. KIEFFER: Yeah, so all day, every day, we get  
18 feedback from our customers and our reps. We sell through  
19 independent reps who represent us out in the field. And  
20 every day you have a feel, basically, for where prices are  
21 in the market versus the list prices that were referenced in  
22 Mr. Porter's assessment. There are public list prices  
23 posted and then the discounts off of that are what you see  
24 in the market on a day-to-day basis.

25 So I got a phone call one day and it went

1 something like this. "You're not gonna believe it.  
2 Priority just raised their prices." It's the first time I'd  
3 ever seen that in my twelve years, and it was pretty  
4 dramatic and it happened to be around that time. And within  
5 a week, maybe two weeks, it was called off,  
6 false-alarm-type language around the office.

7 I don't know, I heard a few speculative stories  
8 from some reps in the field about why it happened, but I  
9 don't know why they brought it back down, or why it was so  
10 immediate. If there was an urgent need to go up, you would  
11 think there would not necessarily be the urgent need to go  
12 down.

13 MR. LEVY: And Kevin, just to clarify, I mean,  
14 since things are back down, is it a priority-specific body  
15 of intelligence? Or does it apply more generally to Chinese  
16 prices? Can you just give a little more color?

17 MR. KIEFFER: Yeah, it's general Chinese prices.  
18 So we see the -- we know who sells the Chinese product. Our  
19 reps are very educated on what products are out in the  
20 market. But when a rep calls in, they'll tell us directly  
21 from a customer exactly everything we need to know, and  
22 they'll give us specifics that it is Chinese product.

23 MR. SULTAN: Thank you. That's all I have.

24 MS. HAINES: Thank you. Ms. Preece?

25 MS. PREECE: Thank you so much for coming. It's

1 so useful to have people to ask these questions to and have  
2 a public forum in which we can discuss this material.

3 I'm gonna have to look at this product a little  
4 differently than the others, because my report part is  
5 different from the others, so you'll just have to bear with  
6 me when I ask some pretty odd questions, maybe in your view.  
7 But I think it's necessary for understanding this product.  
8 So just let me go through these things.

9 Okay. First, I'm looking at your talking about  
10 how the aluminum, AWC, is used. And you say most of it is  
11 used in the feeder, which is basically from wherever the  
12 electric is coming from to wherever the building that it's  
13 being used. Is that correct?

14 MR. KIEFFER: Yes. That is correct.

15 MS. PREECE: So if we're putting in new  
16 structure, they'll have to put electric conduit from the,  
17 wherever the -- is it coming off the electrical wires on the  
18 street? Or is it usually underground? What's the --

19 MR. KIEFFER: Yeah, it's coming from a  
20 substation, but I'll break it down to you this way.

21 MS. PREECE: Okay.

22 MR. KIEFFER: This is the easiest way for me to  
23 -- it was explained to me when I first started, but it's  
24 kind of like a tree. So the main trunk of the tree is the  
25 main feeder cables.

1 MS. PREECE: Yeah.

2 MR. KIEFFER: Then you have the branches that go  
3 out.

4 MS. PREECE: Right.

5 MR. KIEFFER: The trunk of the tree comes into  
6 the building. The branches that go out are what are inside  
7 the building.

8 MS. PREECE: Right.

9 MR. KIEFFER: And then the smaller branches, what  
10 we call the circuit wire, are what actually feed the lights  
11 and the light switches.

12 MS. PREECE: Okay. But let's -- I wanna move  
13 back to before we get to your little tree. Because we've  
14 got this whole electrical infrastructure, right? And that's  
15 where you're connecting in. When you build a building, you  
16 connect into this infrastructure where you put that tree in,  
17 that trunk then goes from the street? Does it go from the  
18 street usually? Is that where the electrical infrastructure  
19 already exists?

20 MR. KIEFFER: Yes. There would be something that  
21 comes from the street, and then the feeders would come in to  
22 the building from the street.

23 MS. PREECE: So that's where the feeders are?

24 MR. KIEFFER: Yes.

25 MS. PREECE: Okay. I just, you know, it's -- we

1 don't -- it just helps me so much to have an idea. Okay.  
2 And then that -- it's almost always aluminum material,  
3 right? That's what you're saying?

4 MR. KIEFFER: Not necessarily. There are very  
5 specific applications and codes that might require copper or  
6 aluminum. Typically overhead, where it's very heavy --  
7 copper is about three times the weight of aluminum, so there  
8 are certain applications. If it's gonna be hung in the air,  
9 it needs to be aluminum.

10 MS. PREECE: Okay.

11 MR. KIEFFER: If it's gonna come in through the  
12 underground, it could be "spec"ed into copper or aluminum  
13 situation, and it really depends on the engineers and the  
14 architects, how they work that.

15 MS. PREECE: And the code?

16 MR. KIEFFER: And the code, correct.

17 MS. PREECE: Okay. And how much code is there  
18 that's still -- that says, "Oh, it's got to be copper"?  
19 What, in the United States -- I mean, if you're talking  
20 about the city, all the cities in the United States, you  
21 should have an idea of how much of that still says "Code is  
22 -- if it's underground, we want copper." What level of that  
23 is there?

24 MR. KIEFFER: I'm not an expert on the electrical  
25 code, so I can't give you real percentages. But I know in

1       our situation, we see copper as being the preferred metal  
2       for many applications throughout the country still. And  
3       aluminum is a smaller portion.

4               MS. PREECE: So for the feeder, even for the  
5       feeder?

6               MR. KIEFFER: Even for the feeder.

7               MS. PREECE: Okay.

8               MR. KIEFFER: It's really just spec-driven,  
9       code-driven.

10              MS. PREECE: Okay. So that helps a lot. Thank  
11       you. And then, after we've got this feeder, which is  
12       basically the trunk of the tree, right, then we go into this  
13       intermediate, which is the branches?

14              MR. KIEFFER: Correct, basically.

15              MS. PREECE: Okay. And that can also be aluminum  
16       or it can be copper?

17              MR. KIEFFER: In commercial spaces, it can be  
18       aluminum or copper.

19              MS. PREECE: And residential?

20              MR. KIEFFER: Residential, they do not allow it  
21       inside.

22              MS. PREECE: It's not allowed inside. So it's  
23       all copper -- the trunk is copper, the feeders or the  
24       interior is copper? Or the trunk is aluminum, could be  
25       aluminum, the interior is gonna be copper in a house?



1           MR. KIEFFER: In a house. In this building,  
2           though, as a good analogy, it would be that the feeder would  
3           come into the building, and if there's multiple floors, you  
4           would have intermediate between the floors.

5           MS. PREECE: Okay.

6           MR. KIEFFER: And then what goes out onto the  
7           floors would be the circuit wire.

8           MS. PREECE: Okay. And that intermediate, in a  
9           building like this might be aluminum? But it also might be  
10          copper? I mean this is an example of a building. Would you  
11          say that it might be aluminum in this building? Or it would  
12          be unlikely to be aluminum? Or maybe the code --

13          MR. KIEFFER: It could be either one.

14          MS. PREECE: Okay, okay. So, but in a house,  
15          it's not. So --

16          MR. ASHER: Excuse me. Let me just help clarify  
17          that. So what we're really saying, and the difference  
18          between copper and aluminum, while there's some specific  
19          standards or specifications that normally dictate that  
20          copper must be used, that is for your circuit wiring, as  
21          Kevin mentioned earlier, or the electricity that's feeding  
22          your actual light switches and your lights, okay?

23          MS. PREECE: Okay.

24          MR. ASHER: That being said, there are also  
25          situations or applications where normally aluminum wire and

1 cable will be used. Which is the wire coming from, usually  
2 the street, into a smaller subpanel, or into a house, and  
3 it's because of the application. You're not gonna use  
4 copper wire overhead in neighborhoods and subdivisions  
5 where there's still wired, you know, above-ground, because  
6 it's too heavy. And it's unsafe.

7 MS. PREECE: Okay.

8 MR. ASHER: And further underground as well, if  
9 you're traveling longer distances, you're also gonna use  
10 aluminum wire because the longer that wire has to travel,  
11 the more cost is associated with it. So it's just not truly  
12 applicable to use copper for those situations.

13 MS. PREECE: Okay, okay.

14 MR. LEVY: Ms. Preece, if I may real quickly.  
15 Also, there were building applications where the weight of  
16 the material itself would make a difference. For example,  
17 in Manhattan, where all the power is in the basement of the  
18 high-rise, you would want to use aluminum to go vertical  
19 because it's lighter. You could actually "pull" the wire,  
20 if you will, manually.

21 In the City of Las Vegas, they may take copper up  
22 to the roof where the power is on the roof, instead of in  
23 the basement and they would want the weight of the copper to  
24 help to distribute the product down through the building.  
25 So there are different applications. But

1 specification-wise, there is still some choice to be made.  
2 But in general, what the two guys are telling you is where  
3 it would be --

4 MS. PREECE: Okay, okay. And so if I was gonna  
5 say, how much of the market is this feeder, of all the stuff  
6 you sell, is this feeder stuff, and how much of this stuff  
7 is intermediate stuff, can you give me a broad guess?

8 MR. LEVY: Ms. Preece, with regard to aluminum  
9 wire and cable, what I think we've heard from the witnesses,  
10 it's about 80% feeder, 20% intermediate, with essentially no  
11 small circuit wiring.

12 MS. PREECE: So it's 80, I had 85, so --

13 MR. LEVY: And I don't know if Southwire wants to  
14 give kind of a broader view of the market segmentation.

15 MS. PREECE: Mr. Asher?

16 MR. ASHER: We see -- results are very similar to  
17 that.

18 MS. PREECE: Okay, that's great. Great. I'm  
19 going into that more than I really needed to, because copper  
20 is definitely a different product and we don't need to worry  
21 about that as a --

22 Mr. Asher again, you produce product to  
23 Sweetbriar definition product. That's correct?

24 MR. ASHER: That is correct. We produce a  
25 product that we call Sweetbriar that meets traditional

1 electrical code standards.

2 MS. PREECE: Okay. And what I heard from the  
3 respondent is that, in addition to the normal commodity  
4 Sweetbriar product, you also produce some other products  
5 that sell into the definition of product, too?

6 MR. ASHER: Yeah, I'm not sure I understand the  
7 question exactly. We produce a Sweetbriar product that is a  
8 standard product in the industry that U.S. producers  
9 manufacture, as well as Chinese importers to our knowledge.  
10 It's the same product, regardless. Meets the same U.S.  
11 standards necessary.

12 MS. PREECE: Okay. And there's no other kinds of  
13 product that might've somehow fallen into the definition?  
14 Even though -- not the commodity one? Because that's what  
15 they're saying.

16 MR. ASHER: No, ma'am, not to my knowledge.

17 MS. PREECE: Okay, okay. So that you're  
18 basically say -- that's good, that's good. So you're not --  
19 you don't agree with that? Okay. I'm sorry. I got some  
20 other things. Now, if I'm gonna build a new home, I'm gonna  
21 need to have some aluminum wire and cable to go into that  
22 house, right?

23 MR. LEVY: Ms. Preece, not necessarily.

24 MS. PREECE: Okay, but if I did -- let's say,  
25 assume I'm gonna have aluminum, not copper. Aluminum. How

1 much of the cost of the house is gonna be this aluminum  
2 cable?

3 MR. JONES: Ms. Preece, I can answer the question  
4 with a dollar amount, but I wanna warn you ahead of time  
5 that the aluminum wire by code would not be allowed in the  
6 house.

7 MS. PREECE: Okay, but no, but, but --

8 MR. JONES: But we could talk afterwards --

9 MS. PREECE: You can't have a house without --

10 MR. JONES: I can sell you the aluminum or the  
11 copper, but --

12 MS. PREECE: No-no-no. I don't wanna to know  
13 about any copper. All I wanna know is about aluminum. I  
14 wanna know, if I'm building a new house and I got to have  
15 electricity in that house, because everybody in the United  
16 States needs electricity in their house, and I'm not gonna  
17 be living in any houses that don't have it.

18 Okay. I'm gonna get electricity into my house  
19 and I'm gonna use aluminum wire because I have to, because  
20 this is the only example where I'm gonna get a cost of  
21 aluminum wire in my house. If I don't have any, it's zero.  
22 So there's no problem. Okay. So I have a house I'm  
23 building. Aluminum wire's going to it. How much of the  
24 share of the house is the aluminum wire?

25 MR. JONES: The aluminum wire to the house to

1 service the power to the house --

2 MS. PREECE: That's it.

3 MR. JONES: -- is a shared expense between the  
4 local utility and the property owner, so it's a vague  
5 number. But, and again, depending on the square footage of  
6 the house and the power consumption of the property and  
7 whatever, all that has to be considered, typically building  
8 wire category for a structure of residentially would be  
9 around 20% of the cost of the structure.

10 MS. PREECE: Of the whole structure?

11 MR. JONES: The aluminum that's not allowed  
12 inside your house --

13 MS. PREECE: Right.

14 MR. JONES: But to answer your question in that  
15 fashion would mostly likely be somewhere around, less than  
16 10% of the cost, if you could use aluminum in the house,  
17 which you can't.

18 MS. PREECE: No-no-no. I'm not gonna put any  
19 aluminum in the house. I'm putting it up to the house.

20 MR. JONES: Just up to the house?

21 MS. PREECE: Just up to the house.

22 MR. JONES: It depends on the length that you run  
23 and the gauge that you're gonna need, but typically, if  
24 you're looking at a 2,000 square foot house and a normal  
25 subdivision and you might spend --

1 MS. PREECE: Okay. Let me -- McAllen, Texas,  
2 let's say.

3 MR. JONES: Where, McAllen?

4 MS. PREECE: McAllen, Texas. Where my brother  
5 used to live.

6 MR. JONES: Yes, ma'am.

7 MS. PREECE: Okay. In the share of the house,  
8 and if you're building a new house in McAllen, Texas,  
9 putting that tree trunk in --

10 MR. JONES: Yes, ma'am.

11 MS. PREECE: -- from the road, assuming that in  
12 McAllen, they say you can do that with aluminum. Okay --

13 MR. JONES: Yes, ma'am.

14 MS. PREECE: -- how much would you say that that  
15 would be typically?

16 MR. JONES: \$3,000.

17 MS. PREECE: \$3,000? Okay. Okay, great. Thank  
18 you.

19 MR. LEVY: Ms. Preece? Just to provide -- I  
20 wouldn't want to mislead you. You obviously hear testimony.  
21 The aluminum wire and cable has both residential, as well as  
22 industrial commercial applications. My understanding is  
23 that residential segment for aluminum wire and cable is well  
24 less than 10% of total sales. So we just wanted --

25 MS. PREECE: Oh, great. Thank you. That's very

1 helpful.

2 MR. LEVY: -- understand that.

3 MS. PREECE: Okay, so that's 10%. So let's look  
4 at the 90%. So 90% of it is commercial construction then,  
5 you're saying? Or commercial and other nonresidential  
6 construction? Okay, good. So if somebody's building a new  
7 building, high-rise, commercial construction, how much of  
8 the share of the cost of that building would be the aluminum  
9 wire setup?

10 MR. JONES: In a situation of -- to stick with  
11 the Texas theme, which I appreciate Cowboy's Stadium, where  
12 Jerry Jones' new --

13 MS. PREECE: Right.

14 MR. JONES: -- stadium, or what have you, that  
15 would be hundreds of thousands of dollars' worth of aluminum  
16 product.

17 MS. PREECE: Uh-huh. And what share of the whole  
18 cost of this stadium? You know, you must've been watching  
19 that, you know, and say, oh --

20 MR. JONES: Yes, ma'am.

21 MS. PREECE: -- how many millions of dollars are  
22 we spending on this stadium?

23 MR. JONES: Right.

24 MS. PREECE: So how much of that would be --

25 MR. JONES: The electrical piece typically of a



1 project runs in the neighborhood of 20% of the total.

2 MS. PREECE: Okay.

3 MR. JONES: The whole electrical project.

4 MS. PREECE: So that's the whole electrical, and  
5 there's -- obviously the aluminum part of that is --

6 MR. JONES: It would be maybe, somewhere between  
7 2 and 8%, again --

8 MS. PREECE: So 2 and 8% of the total project?

9 MR. JONES: Yes, ma'am.

10 MS. PREECE: Okay, great. That's very helpful.  
11 I have all the numbers I need now. Beautiful. Thank you so  
12 much. That's really helpful. Because this is hard  
13 information to get out of people. Because they don't  
14 understand the question and so they're just sitting there  
15 giving me answers that are like 100%. No. 100% of costs  
16 can't be aluminum wire. Okay, good. Thank you.

17 Okay, then, these price lists. At some point  
18 somebody said there was a price -- the standard or something  
19 like that, price list. If I were gonna go on to the  
20 computer, could I find your price list? Each of your firms'  
21 price lists?

22 MR. ASHER: Yes, ma'am. It is industry standard  
23 to post your price lists, your standard price lists,  
24 traditionally to your website. That, I can speak for  
25 Southwire. That is what we do. We post our standard price

1 lists to our website.

2 MS. PREECE: Okay. And does it change monthly  
3 with the price of aluminum? What's --

4 MR. ASHER: It changes as the industry dictates  
5 and as the market trends dictate. It could change based on  
6 the cost of aluminum or other nonmetal factors.

7 MS. PREECE: Okay. So it would be based on cost?  
8 Changes based on costs typically?

9 MR. ASHER: Traditionally, yes.

10 MS. PREECE: Traditionally. And so would the  
11 importers also refer to the same kind of price list? Or do  
12 they have separate price lists? Or would they refer -- say,  
13 "Oh, we're gonna give you," you know, what is it?  
14 "Southwire's price list minus 50%" and then you're going,  
15 ugh. But you know, is that the kind of thing they're gonna  
16 say? Or they're gonna say, "Oh, we have our price list.  
17 Here it is," and have a different price list? Or what's  
18 gonna be happening?

19 MR. ASHER: It's industry standard,  
20 traditionally, to post the same standard price list and then  
21 discounts are applied on top of those price lists.

22 MS. PREECE: Okay.

23 MR. ASHER: So the discounts traditionally are  
24 where the net prices vary in the market.

25 MS. PREECE: Okay, that's really helpful. Just

1 to understand that this thing -- so the whole price of this  
2 product is basically in the discounts from that price list?  
3 Because everybody else -- the price list is visible and  
4 everything else is the discounts, right?

5 MR. ASHER: That is correct.

6 MS. PREECE: Okay, great. Thank you. That's very  
7 helpful again. It really gives us good understanding. And  
8 one more thing. Hopefully that'll clean up my mess here.  
9 These master distributors -- do you sell -- do U.S.  
10 producers sell to master distributors?

11 MR. KIEFFER: We do not sell to the master  
12 distributors. We feel that they compete with us for the  
13 same customers.

14 MS. PREECE: Okay. Are master distributors also  
15 importers?

16 MR. KIEFFER: Yes, as I understand it.

17 MS. PREECE: Okay. So the importer/master  
18 distributors would be what you could call these people?

19 MR. KIEFFER: Correct.

20 MS. PREECE: Okay. So they are really selling at  
21 the same level of trade as you are? Because these master  
22 distributors/importers are selling to the same characters  
23 that you're selling to?

24 MR. KIEFFER: Yes. We're in the same market  
25 every day, competing for the same business.

1 MS. PREECE: Okay, that's great. That's really  
2 helpful. I just didn't know whether the importers were  
3 selling to them or they were -- but that's clear. And  
4 that's simple. That simplifies everything very nicely. So  
5 that clarifies --

6 MR. KIEFFER: Oh, I'm sorry. Southwire, Aaron,  
7 would you like to add anything to that?

8 MR. ASHER: No, I just agree with your comments.  
9 These master distributors fill the same role and play the  
10 same role that Southwire or Encore play in the market. We  
11 are both selling to distributors our products.

12 MS. PREECE: Okay. And they are importers  
13 typically?

14 MR. ASHER: Typically from our experience, yes.

15 MS. PREECE: Okay. I think that's all I wanna  
16 ask for now. Maybe I'll figure out some other questions.  
17 I've obviously been hogging the mike, which I like to do.  
18 Thank you. Talk to you soon.

19 MS. HAINES: Thank you. Mr. Tsuji.

20 MR. TSUJI: Good morning. I'm Karl Tsuji, the  
21 co-commodity industry analyst for this particular  
22 investigation. I just have a few questions,  
23 product-specific and processing-specific.

24 First of all, do you happen to know if the  
25 Chinese AWC producers purchase their feedstock aluminum wire

1 rod from outside suppliers? Or do they tend to produce it  
2 themselves inhouse?

3 MR. ASHER: I'm sorry, I'm not aware of that  
4 information.

5 MR. JONES: I have no knowledge of that.

6 MR. TSUJI: Okay. I'll ask the same question of  
7 the respondent panels' witnesses.

8 This is a question for the witness for Southwire.  
9 Because Southwire produces its feedstock aluminum wire rod  
10 inhouse. I just wanted to have it confirmed on the record  
11 that it's the same process that would be used by any other  
12 aluminum mill to produce wire rod.

13 They start with aluminum alloy scrap, melt it  
14 down and add primary unwrought aluminum to adjust, as well  
15 as any alloying metals to achieve the proper alloy  
16 composition; is that accurate?

17 MR. ASHER: Yes, that is an accurate statement.

18 MR. TSUJI: Thank you very much. And I'd like to  
19 request permission from the petitioners for consent to use  
20 any of the images on their website to include in the product  
21 section of the staff report. This is so that I don't have  
22 to send an e-mail to counsel, which would take a little  
23 longer. Any objections?

24 MR. JONES: There's no objection.

25 MR. ASHER: I have no objections to that.

1           MR. TSUJI: Thank you very much. And also, I'd  
2 like to request of the petitioners any electronic images  
3 that have a cross-sectional view of the stranded cable that  
4 is mentioned in the petition on Pages 11 and 12.

5           It's because that's where the stranding and the  
6 layering sequence is described with a number of strands and  
7 each layer, etcetera, but it'll be a lot easier for me, in  
8 particular, to visualize and to explain the cross-sectional  
9 configuration.

10          MR. JONES: You're welcome to have any or all  
11 these samples if you'd like.

12          MR. TSUJI: Okay.

13          Okay. And there's an image, an electronic image  
14 that's readily available. I would appreciate being able to  
15 put that into the staff report, as well.

16          And finally, I'll ask the same question of the  
17 Respondent's panel of witnesses. Are you aware of any  
18 current antidumping or countervailing duty orders on  
19 aluminum wire and cable imported from China in third-country  
20 markets?

21          MR. LEVY: Mr. Tsuji, we are not aware of any  
22 such actions.

23          MR. TSUJI: Thank you very much. Ms. Haines, no  
24 further questions.

25          MS. HAINES: Mr. Brininstool, do you have any

1 questions? No?

2 MR. BRININSTOOL: I have no questions at this  
3 time, thank you.

4 MS. HAINES: Okay, anyone else?

5 (No response.)

6 MS. HAINES: I think that concludes staff's  
7 questions. Thank you very much for the very helpful  
8 testimony.

9 Okay, you can begin.

10 MR. PORTER: Thank you, Ms. Haines. We will  
11 proceed directly to our industry witness. Candice?

12 STATEMENT OF CANDICE HILL

13 MS. HILL: Good morning. I am Candice Hill and  
14 I'm from Priority Wire & Cable. I am the CFO of the  
15 company.

16 I wanted to start by telling you about Priority  
17 Wire and Cable. We are not the company portrayed in the  
18 Petition. I have been with the company almost 20 years and  
19 I've been privileged enough to watch the company from  
20 infancy to where it is today. We just celebrated our 25th  
21 anniversary. It has been a great pleasure to be a small  
22 part of the success of a company that has succeeded based on  
23 a very simple culture.

24 From the beginning we have had just one mission:  
25 To provide quality product at a level of service that sets

1 us apart from everyone else. The mission sounds simple, and  
2 the first part--quality product part--is. The product must  
3 meet specific standards in order to obtain its UL listings,

4 It is the service part of the mission that is the  
5 tough part, but one we have mastered. We can do what no one  
6 else can. In my two decades in this industry, we have seen  
7 other companies try but fall short of the high bar we have  
8 set. I wanted to talk about how we achieve such a high  
9 level of service for just a few moments.

10 We all remember 2009 and how hard the economy was  
11 hit. It was truly a perfect storm for our industry because  
12 commodity prices for aluminum and copper plummeted and the  
13 economy was struggling.

14 Our customers who service contractors were hit  
15 pretty hard holding inventory that was worth about 30  
16 percent of what they paid for it. They learned from this.  
17 The days of stocking inventory were all but over.

18 We became their stocking warehouse. The concept  
19 of "just-in-time" inventory became the new normal. A  
20 contractor would contact our customer with a need. They  
21 would order from us, and the contractor would drive to our  
22 facility to pick up the material, or we would ship the next  
23 day for delivery. We held the risk and the contractor was  
24 serviced.

25 This is a valuable piece for our national



1 economy. Unless they are working on a big job and can plan  
2 out deliveries, contractors cannot wait a week or more for  
3 product. The Petitioners can't ship same day and they  
4 certainly can't have an order ready in 15 minutes. But this  
5 is something that we do hundreds of times a day every day.

6 In short, our people make the difference. We  
7 have a team of people who stay until the job is done. We  
8 truly love our company. They take pride in the success of  
9 the company, and the high levels of customer satisfaction  
10 that Priority achieves.

11 Accomplishing this isn't magical, and it isn't--  
12 and it takes a great deal of effort. We hire an employee  
13 and from the beginning they know how special it is to work  
14 for us. To hire and keep the best people, our benefit  
15 package is unheard of.

16 In a world where health care is a big topic and a  
17 big benefit--the first big benefit that we pay is 100  
18 percent of family health care insurance. No one has to  
19 worry about the rising costs of health care insurance  
20 working for us.

21 Recognizing our employees will give a majority of  
22 their life to our company, we want them to retire  
23 comfortably. So we developed a profit-sharing plan where we  
24 contribute 15 percent of their total compensation into a  
25 plan. We also pay bonuses to all employees for the past

1 several years based upon our earnings. All of our employees  
2 share in our company's success.

3           You may wonder how do we do all of this and still  
4 make money if we aren't getting competitive advantages from  
5 pricing? One of the main answers is that those same people  
6 we're talking about do more work. If I compare our average  
7 sales dollars per employee to the Petitioners Southwire and  
8 Encore, the numbers speak for themselves.

9           We achieve \$1.8 million dollars in sales per  
10 employee. Based upon public information, Southwire comes in  
11 at about 733 thousand per employee. Encore does a little  
12 better at about 950 thousand per employee.

13           This means Priority is achieving 200 to 2060  
14 percent more sales dollars per person. We also do not have  
15 a lot of "frills." We don't own private jets. And we don't  
16 file nuisance lawsuits or petitions. We invest our earnings  
17 in people and inventory. These things have been the recipe  
18 for success since our inception.

19           Don't just take my word for it. I looked at  
20 Glassdoor reviews to see how the employees felt about the  
21 company they were working for. If you aren't familiar with  
22 Glassdoor, it's a website where current and past employees  
23 can go and rate a company on a scale of one to five stars  
24 based on several factors. The overall ratings begin to tell  
25 the story. Southwire has a 3.6 rating. Encore has a 2.3

1 rating. In contrast, Priority Wire has a 4.8 rating.

2 When reading the reviews, I found example after  
3 example of management issues and a general feeling of being  
4 unappreciated at Southwire and Encore. I certainly won't  
5 waste a lot of time with quotes from these reviews, but a  
6 few seemed relevant.

7 For Southwire, one employee's advice to  
8 management was, and I'm quoting, "Focus on getting customer  
9 service where it needs to be (We are unfortunately terrible  
10 at servicing our customers)." And other employee commented:  
11 "The worst management structure.... Very poor decision  
12 making ability, and built from the top down to micro manage  
13 employees with little or no trust in the employees."

14 For Encore, one employee commented: "Horrible  
15 upper management, once you hit 15.00 an hour no more raises,  
16 hard working environment, supervisors or leads ... make it  
17 unbearable to work always giving ... orders and hourly  
18 employees have no opinions." Another employee commented:  
19 "This place is the epitome of chaos. The communications is  
20 horrible, the management will break their team's backs for  
21 their bonuses and reward them with chicken tenders."

22 In contrast, Priority employees have far more  
23 positive comments. One employee noted: "Priority really  
24 cares about its employees, by far the best benefits I have  
25 ever seen." Another employee noted: "PWC is a leader in

1 its industry all the way from customer service to the way  
2 each department is run. The owners have built an amazing  
3 platform in which its employees can thoroughly prosper as  
4 much as the company itself. They are firm believers in  
5 giving their employees something to work for and they do" it  
6 well.

7 I've picked a few examples. If you spend any  
8 time on this website, you will see that these comments are  
9 pretty typical for these three companies.

10 When I started 20 years ago we had a corporate  
11 office and warehouse in Little Rock, Arkansas, and one small  
12 warehouse in Beaumont, Texas--the town where the movie  
13 "Footloose" was set. We have since grown to 15 stocking  
14 warehouses with almost 2 million square feet of warehouse  
15 space. We achieved this growth through superior customer  
16 service selling a mix--a mix--of domestic and imported  
17 inventory.

18 We would have liked to have continued sourcing  
19 primarily domestically, but we were not given that choice.  
20 Twenty years ago, we did not import from China. And the  
21 vast bulk of our product was domestically sources. But as  
22 we focused on providing the best customer service and  
23 customers turned to us even when our pricing was higher,  
24 some domestic suppliers made the decision to stop selling to  
25 us. We were forced by these circumstances to go offshore.

1 These offshore suppliers are just that, "suppliers." We do  
2 not invest in them, and they do not invest in Priority.

3 Whenever I visit customers, there is one common  
4 theme I always hear: Our service is unmatched. I hear how  
5 competitors may offer better pricing. They have time and  
6 time again failed at service. Salespeople will often come  
7 to me to vent about how hard it is to meet their sales goals  
8 because of the better pricing in the market.

9 They are looking for an ear to listen, or maybe  
10 for guidance on how to overcome and succeed by not being the  
11 low-cost provider. This is why this Petition is probably  
12 one of the few times in the last decade that I have found  
13 myself shocked by the way a competitor has characterized  
14 Priority and its business model.

15 Thank you for a chance to tell our story. I look  
16 forward to your questions.

17 MR. PORTER: Thank you, Candice. Rob?

18 STATEMENT OF ROB STRAHS

19 MR. STRAHS: Good morning. My name is Rob  
20 Strahs. I'm with Priority Wire and Cable, and I'm the Vice  
21 President of National Accounts and Marketing.

22 I have been in the wire and cable industry on and  
23 off for over 30 years, initially as a manufacturer of wire  
24 and cable, and now with Priority Wire & Cable. So I've been  
25 on both sides.

1           I have come to Washington because you will make a  
2 decision that will affect my company's business, and  
3 Priority believes very strongly that you should have the  
4 correct information and the correct facts when you make your  
5 decision.

6           Quite honestly, what the U.S. producers have told  
7 you about the U.S. market here today and what they have  
8 stated in their Petition conveys an impression that is  
9 simply not true from Priority's standpoint.

10           What I intend to do is to give you what Priority  
11 believes to be a more accurate depiction of the U.S.  
12 aluminum wire and cable market, and to help speed this along  
13 I'll use AWC for "aluminum wire and cable."

14           I believe the best way to start--and this has  
15 been described before--is to help you understand the  
16 marketplace. Again, AWC, there's the residential segment.  
17 That's the wires that are kind of within a house. And then  
18 the commercial segment is the wires getting power to the  
19 house or to the building.

20           So the residential is running throughout the  
21 house for your power maybe to an oven, and the commercial is  
22 getting it to your breaker box. So a little history:

23           It's important to understand that AWC is a  
24 relatively new product for this purpose. Historically,  
25 copper and wire cable was used almost exclusively to

1 transmit electricity, and it's only been in the past couple  
2 of decades that aluminum wire and cable has become much more  
3 accepted.

4 This is my first important competition point.  
5 For all applications, copper wire and cable is a substitute  
6 for aluminum wire and cable. There may be some code areas  
7 where they don't allow it or don't want it, or some  
8 prejudices left over from the past, but really they are  
9 substitute products.

10 If you look at Southwire's product list, or their  
11 product price list on their website, you'll see they list  
12 commercial copper wire, residential copper wire, commercial  
13 aluminum wire, commercial residential wire. That's in the  
14 back of my statement, if you'd like to see it.

15 And importantly, Southwire and Encore are both  
16 AWC and copper and wire cable companies, which I'll refer to  
17 as CWC. Indeed, it is a correct statement to say that both  
18 Southwire and Encore consider themselves to be primarily a  
19 copper company, not an AWC company.

20 This is important because it really is the  
21 relationship of copper and aluminum that spurred the growth  
22 of AWC. The economic boom of the mid-2000s drove the price  
23 of copper to record highs, and over a short time period  
24 copper went up 350 percent from January 1, 2004, to May 1st,  
25 2006, which greatly accelerated the adoption of AWC in place

1 of copper as developers looked to find ways to save costs  
2 for pre-planned or bid work they already had in place. Then  
3 copper reached a peak of \$4 a pound in June of 2008 and then  
4 subsequently fell to \$1.30 a pound in December of 2008. So  
5 very radical changes in metals.

6 And quite honestly, it was this volatility in the  
7 market that created an opportunity for AWC growth.

8 Distributors who had been crushed by the fall of copper were  
9 looking to shift that risk elsewhere. That is where  
10 Priority Wire & Cable's business model of ordered today  
11 delivered today or tomorrow provided a strong alternative.

12 So distributors got to the point where this is a  
13 commodity for them. If they're going to stock it, the  
14 metals change, their inventory then is reduced. So if they  
15 can have an alternative and not have to stock as much, we  
16 were that alternative.

17 Priority Wire & Cable only sells AWC. So  
18 distributors were driven to sell more AWC over CWC and that  
19 propelled our growth. The copper rebounded to a high of  
20 over \$ a pound in 2011, so then it went back around the  
21 other way. So distributors did not want to stock copper and  
22 get burned again, and contractors were again looking for a  
23 cost alternative to the jobs they'd already bid, so it was a  
24 perfect storm to continue that growth of AWC.

25 This leads to my next very important point.



1 Contrary to what you heard from Southwire and Encore, price  
2 is not the only factor that influences AWC sales. Service,  
3 and in particular availability, matters greatly.

4 So I heard that we were a master distributors.  
5 So is Nike a master distributor of sportswear? No. They  
6 built a brand name. We have built a brand name, Priority  
7 Wire & Cable, and our distributor customers know when they  
8 order from us that if they call us today that we'll ship  
9 today and they will have it tomorrow, and we can do that  
10 throughout about 90 percent of the country due to the  
11 warehouses that we have in place.

12 From day one we built our business on a model of  
13 service, which is completely different from the approach by  
14 Southwire and Encore. They are both what I would call "old  
15 school manufacturers" where they will take an order, build  
16 it and ship it, generally in a week or two. I know they  
17 stated they do that more quickly, but what I hear from  
18 customers is that's not the case. So we are able to beat  
19 them on service.

20 We have 15 warehouses throughout the U.S. We  
21 ship orders the same day we receive them at a very high fill  
22 rate, which is another key point. It was mentioned that  
23 they get the crumbs. When we get a bid from a distributor,  
24 it's usually a full bid of all types of AWC, and we fill  
25 that whole bill. We don't just pick pieces of it. We fill

1 the whole bill out.

2 So from a consumer standpoint, how many consumers  
3 these days would wait a week or something if you can have it  
4 tomorrow? We provide it tomorrow.

5 So, yes, there's no question that factors other  
6 than price are important. We sell a branded but generic  
7 product that we source from U.S. producers as well as  
8 Chinese and other foreign sources with no differentiation as  
9 to the origin of the product we stock.

10 We use the same part number regardless of the  
11 origin. The entire industry purchases product based on a  
12 generic part number, and when it is in inventory from  
13 multiple manufacturers or suppliers it is stocked with the  
14 same part number. And customers don't care where it came  
15 from because based on the standards in place if the wire  
16 meets XHHW standards it is accepted by all.

17 We do not go out to customers with one price or  
18 service offering for domestically produced wire and then  
19 open our trench coat and say, "hey, pssst, I got some  
20 Chinese wire here and we'll sell it at a lower price."  
21 That's not the way it works.

22 Most of the AWC in this survey is like gasoline.  
23 People don't care where it comes from, WaWa, Sunoco, BP,  
24 Valeo, or Exxon. It's just a matter of availability. Price  
25 is important, of course, but also availability.

1           That stated, customers have definite preferences  
2           concerning service and convenience. Indeed, this is  
3           precisely why one gas station can charge a higher price than  
4           another just a half mile away. The higher priced gas  
5           station is able to do so because he is offering something  
6           else of value.

7           There's an awful lot of wire that we ship on the  
8           AWC side that's also cut to length, so we're doing a  
9           service. We're providing it to that distributor who then  
10          provides it on the contractor cut to length ready for them  
11          to use. That's quite a bit of what we do. Hundreds of cuts  
12          a day at our warehouses.

13          This is precisely our business model. Of course  
14          price is an important factor, and price is always an  
15          important factor for all business buying decisions. But it  
16          is wrong to say that it is the only factor or the most  
17          important factor. It is not. If it were, we would not have  
18          sales as our prices are routinely above our competitors,  
19          including Southwire and Encore.

20          The reason we can stay in business is because we  
21          offer our customers something of additional value. Namely,  
22          just-in-time delivery and world-class service. We have had  
23          this business model for years, and adopted it well before we  
24          began importing from China.

25          Just two weeks ago I was told by a national

1 distributor, one of the few that actually goes out for a  
2 bid--they go to the manufacturers and they say tell us your  
3 price, we're going to do a buy in a week, and we haven't  
4 been writing that business, and they told us we've been  
5 high. But, they said, we'll still get our share because of  
6 our service. So they still come to us and they'll pay that  
7 higher price because they know they can't get it from the  
8 peer factories.

9           So in short, price is an important factor until  
10 availability becomes an issue. And, quite bluntly,  
11 availability is often a key issue and we typically win on  
12 availability.

13           Now let's talk about prices. The Petition  
14 attempted to convey the impression that the prices from  
15 Priority Wire & Cable moved the entire AWC market. That is  
16 flat wrong. In fact, in the AWC market there is no doubt  
17 that Southwire establishes the market selling price for AWC.

18           Southwire sets the industry pricing through the  
19 issuance of their list price sheets which they talked about,  
20 so they have a list price sheet on their website. It's a  
21 pretty transparent industry. It's pretty easy to  
22 understand. Once you have one price for a list price, you  
23 determine that multiplier and you have the pricing for the  
24 whole sheet.

25           So Southwire sets the industry pricing through

1 the issuance of their list price sheets which are posted on  
2 their website. You can Google Southwest pricing and you'll  
3 find it.

4 As we have been selling our AWC for years, we  
5 have a general idea of the market. And to simplify it, we  
6 watch for Southwire to announce a price increase, or issue a  
7 price change, and then we react to it. So if the list  
8 prices go up 5 percent, we take our net prices up 5 percent.  
9 And from what I've seen in the marketplace, our competitors  
10 also base their pricing on the Southwire list and everyone  
11 reacts to Southwire's pricing. And it's not true. We have  
12 had many notes on our website about price increases. We  
13 file the price increases. So to say that's was the first  
14 one that happened is not true.

15 We also see in the industry what hurts a  
16 potential price increase are blankets that go out. So the  
17 signaling of a price sheet coming out, they're saying it's  
18 going to be effective in a few days, gives the distributors  
19 time to put a blank in place to hold pricing firm.

20 And then within the marketplaces throughout the  
21 U.S.--and you could say there's probably 30 different  
22 marketplaces, and some of that ties to the reps, we sell  
23 through reps--there's about 30 different market areas where  
24 our reps are. And so we get feedback from the reps.

25 We talk about the feedback that they get. But

1 just because they have one data point does not mean that's  
2 going on across the whole country. I think sometimes people  
3 react to that too quickly because they hear from one rep in  
4 one area of the country that a price changed and they  
5 extrapolate that across the country. That's not what we do.  
6 We have very market-oriented pricing and the pricing varies  
7 quite a bit across the country.

8           So the blankets that are issued often from--I  
9 know Southwire is a big believer in them, lock in a price  
10 for a distributor for a certain amount of time, so they have  
11 that old price. So they're in a local market area with the  
12 lower price than the other distributors have. The other  
13 distributors are trying to resell wire to their contractors,  
14 but having to compete with the distributor that has that  
15 lower blanket price. And that's how the market gets eroded.

16           So I believe that all the other manufacturers and  
17 suppliers of the wire use the same list price to key their  
18 pricing off of. So in general, we price in the range of  
19 Southwire and we certainly lose our fair share to Southwire  
20 and others, and we often earn business at prices higher than  
21 competitors, Southwire included, due to our service model  
22 which is completely different than Southwire and Encore, and  
23 is more like with consumers expect today, which is  
24 immediate service.

25           One more important point about pricing, in

1 particular alleged differences between Chinese AWC and AWC  
2 offered by U.S. producers. Our customers typically have no  
3 idea whether their purchased AWC is Chinese, some other  
4 foreign supplier, or U.S. produced.

5 As I noted earlier, all AWC is sold by part  
6 number and the same part number is used regardless of where  
7 it is made. It is also very true that suppliers like  
8 Priority purchase both U.S. and imported AWC combining and  
9 co-mingled AWC by part number and we could ship a pallet of  
10 wire that could have domestic-made, Chinese-made, or  
11 foreign-made. It's all the same part number. It might be  
12 different sizes, but it will go on the same pallet and the  
13 distributor doesn't care. It just goes into their stock.

14 And of course there's the single selling price  
15 for that part. This means that when a customer gets a  
16 shipment from Priority, it includes both U.S.-produced AWC  
17 and imported AWC and it's impossible for the customer to  
18 distinguish the price for the U.S. AWC versus the price for  
19 the imported AWC because the price is the same.

20 The comment on the pricing data for product 2.  
21 So what we were looking at was, when we talk about  
22 Sweetbriar, as we looked up the definition of what products  
23 that would be, we sell two types of Sweetbriar that would  
24 fall into that, the basic types. Southwire also sells  
25 Triflex PowerGlide, and they sell something that has a

1 sealant in it. So we believe that that could fall within  
2 the scope of this--I don't know, because we can't see what  
3 was submitted, but that's why we've pointed this out.

4 So we would say that two of the three pricing  
5 products were accurate and suitable, but one is definitely  
6 not, and that is the product that is referred to as  
7 Sweetbriar. That's the part that goes to bring the power to  
8 your house. And the main difference would be Southwire's  
9 example of their SureSeal, which is a Sweetbriar--and I'm  
10 quoting here--"the unique cable design with an encapsulated  
11 flow of visco elastic sealant."

12 All of the other more specialized products fall  
13 within the definition of pricing product 2. And as I  
14 understand it, I'm certain there are no imports of these  
15 other specialty products of Sweetbriar. So it wouldn't be a  
16 fair comparison if these were in those numbers.

17 If you wanted to adjust the pricing product 2  
18 definition, you would simply need to add at the end the  
19 phrase "not including SureSeal products and not including  
20 Po0werGlide."

21 Another important point that I made is the fact  
22 that China is not the only foreign supplier to the AWC  
23 market. The import records show AWC comes in from a variety  
24 of countries at prices similar to Chinese imports.

25 The last point I want to make--and perhaps the



1 most important--is why are we here? My understanding is  
2 that the purpose of the AD-CVD law is to provide some remedy  
3 to U.S. producers that supposedly have suffered from  
4 imports. However, Southwire and Encore have already  
5 received substantial remedy from President Trump's trade  
6 policies.

7 First, there were the Section 232 duties on  
8 aluminum. Immediately after they were announced, Southwire  
9 increased their prices based on the market scare, even  
10 though we believe Southwire gets most of its aluminum from  
11 U.S. producers and they import--what they import comes from  
12 Argentina--that's Southwire. I didn't say Encore, which  
13 were exempted from the duties. And so Southwire was able to  
14 reap benefits of a 10 percent increase in price without  
15 having to incur any increased costs.

16 And then on top of this windfall, Southwire and  
17 Encore received another gift from President Trump from the  
18 Section 301 duties. AWC imported from China under HTS Code  
19 8544.49.90 was included on the List 1 of the Section 301  
20 duties and therefore subject to 25 percent extra import  
21 duty.

22 Again, Southwire and Encore immediately raised  
23 their prices and reaped a windfall without having to pay  
24 additional costs. And now they want more?

25 The comment was made that they saw a note that we

1 were going up in price sales the first time. It was not the  
2 first time. Prices did go up immediately after these  
3 tariffs, and it's interesting. We hear the same thing. You  
4 know, we supply prices to our customers. They say you're  
5 high. And we often hear the same information.

6 We went out and put new prices up. The industry  
7 went up. But I believe, based on the blankets that were out  
8 there, other factors, pricing came back down again.

9 Also, we have--you know, the claim that they know  
10 the extra price increases, which already happened, will not  
11 be enough, are completely spurious. Because many import  
12 suppliers carry a couple months of inventory. The extra  
13 import duties have not had their full effect yet.

14 Everyone anticipates that Southwire and Encore  
15 continue to reap even more windfall in the foreseeable  
16 future. We stock a lot of product. We are thrilled to see  
17 the prices go up. The feedback we got was that the  
18 manufacturers, the factories, didn't keep the price up.

19 Southwire and Encore already have full protection  
20 of imports from China. They do not need anymore.

21 In summary, we have grown our business on  
22 service. And our sales of AWC include products from China  
23 as well as other foreign and domestic sources, and we sell  
24 at market prices set by Southwire.

25 That concludes my testimony, and thank you.

1 MR. PORTER: Thanks, Rod. Jim?

2 STATEMENT OF JAMES P. DURLING

3 MR. DURLING: Yes, it is still "good morning." I  
4 am Jim Durling with the law firm Curtis, appearing today on  
5 behalf of Priority Wire & Cable. I just want to offer some  
6 initial comments based on the emerging record that the  
7 Commission is collecting.

8 I think the first point I'd like to make is that,  
9 although we all see lots and lots of cases against China,  
10 maybe the single most common target of U.S. trade remedy  
11 actions, this is not like your usual China case. I think  
12 it's different in a couple of key respects that I'll go into  
13 in a bit more detail, but big picture it's different because  
14 the import trends are different than the typical China case.  
15 The pricing relationships are different than the typical  
16 China case. But most importantly, unlike many cases  
17 involving China where you have many, many importers each  
18 responsible for a small piece of the market, this case is  
19 unique in that you have here ready to answer your questions  
20 the party responsible for the overwhelming majority of the  
21 Chinese imports.

22 This gives you a unique opportunity to, at the  
23 preliminary stage, have a very good, complete picture of  
24 what's actually going on with Chinese imports in the market.  
25 I urge you to take advantage of that opportunity.

1           What is the emerging record beginning to show  
2           about this case and how the various statutory factors have  
3           or have not been met?

4           First a few points about volume. The primary  
5           focus this morning was on imports and the allegations that  
6           imports are increasing, kind of a standard argument. But  
7           volume is more than just import trends. Volume is what's  
8           happening with the domestic shipments which, without getting  
9           into proprietary data, import shipments have been increasing  
10          over the period. Basically it's also about market share,  
11          and how is market share changing over the period?

12          And, yes, there's been some variation in market  
13          share over the period, but the most relevant comparison is  
14          look at the beginning of the period, and look at the end of  
15          the period. This is a domestic industry that ended the  
16          period with pretty much the same market share it began the  
17          Period of Investigation with.

18          That is not consistent with their theory of  
19          volume-based injury from imports. Now there was some  
20          discussion this morning about nonsubject imports, and  
21          Petitioners were not willing to give you any guidance yet.  
22          We're I guess a little further along. We're comfortable  
23          giving you some guidance on how to think about nonsubject  
24          imports.

25          They are important. You have some data in your

1 questionnaire responses. You can obviously look to that.  
2 But you can also use the publicly available data. And here  
3 is a way that you can distinguish AWC from other products  
4 that are clearly not AWC.

5           Simply look at the Average Unit Values. If you  
6 take your nonsubject import database, and if you sort based  
7 on relative volume, and based on Average Unit Values, what  
8 you will see is the data pretty clearly tells you that there  
9 are some countries, in particular Mexico, Ecuador, and  
10 Turkey, that are selling significant volumes of product at  
11 an average price that is consistent with the price range one  
12 would expect for AWC.

13           I mean you know from all of the information you  
14 have, AWC pricing from the domestics, AWC pricing for  
15 Chinese imports, over a period of time. You have a rough  
16 range of what AWC pricing looks like.

17           When you look at an AUV for a country that  
18 basically is selling under this HTS number for an AUV that  
19 is three times, four times, five times the average price of  
20 AWC, clearly that is something else.

21           No one is selling AWC for \$10 a pound, or \$20 a  
22 pound. So you can really eliminate a lot of the nonsubject  
23 imports as being very low volume, AUVs that are way too high  
24 to be AWC, and thus you get a pretty good proxy for what is  
25 in fact nonsubject imports. And what you will see, if you

1 look at that data, is that, yes, there was Chinese gain in  
2 market--Chinese gain in volume, but the reason market share  
3 trends over the whole period have been relatively stable is  
4 that much of the Chinese gain in volume has been at the  
5 expense of nonsubject imports. Okay?

6 Pricing. What can I tell you about pricing at  
7 this stage, and staying within the confines of a public  
8 hearing?

9 First, there's kind of a logical disconnect in  
10 their theory, because basically, yes, domestic prices were  
11 going down during some parts of the period, but domestic  
12 prices tended to go down when the raw material prices were  
13 also going down. Domestic prices tended to go back up when  
14 raw material prices started going back up.

15 And here's the thing. Domestic prices were  
16 trending up even during that period of time when there was  
17 relatively more Chinese volume in the market. Kind of an  
18 inconsistency in their claim that the reason prices are  
19 plunging--(a) it's not true; and (b) it's not plunging  
20 because of import volumes. The trends aren't consistent.

21 Margins of underselling. The Petition presented  
22 information about underselling and promised that the  
23 questionnaire data would demonstrate fare more emphatically  
24 and more definitely the underselling.

25 With all due respect, when the data is complete

1 what you will see is that the promises, and the claims in  
2 the public hearing this morning of large and significant and  
3 massive underselling is simply not borne out by the record.  
4 That's not what the record shows.

5 And the record will even more emphatically  
6 disprove their allegations about widespread underselling if  
7 you fix the problem with product 2 that Rob was just  
8 explaining to you.

9 I listened very carefully to the testimony this  
10 morning. Go back to the transcript. Their testimony  
11 implies--it doesn't "imply"--they actually stated we sell  
12 "a" Sweetbriar product. And that is the key problem we need  
13 you to correct.

14 Southwire does not sell "a" single Sweetbriar  
15 product. That is a category. And in that category they  
16 sell a generic version that competes with Encore, and it  
17 competes with the products that Priority is selling. Yes,  
18 they sell that.

19 So there is in product pricing 2 a true  
20 comparable pricing product. It's for generic Sweetbriar.  
21 What you need to back out of the pricing product 2 data for  
22 Sweetbriar is the specialty products that Southwire  
23 specifically identifies as specialty products with higher  
24 performance characteristics for which they sell at a much  
25 higher price.

1           Back that out and then you'll have pricing  
2 product 2 data that is in fact comparable. And this is a  
3 really easy fix, because it only involves one company. It  
4 involves a pretty minor clarification in the language that  
5 Rob gave you, and you can see it in the price list. Just  
6 kind of go and look at the product spec sheets on the  
7 Southwire website.

8           And at the end of the day, your job as the staff  
9 is to collect it both ways. The Commission can ultimately  
10 decide what to do with it. But this is an important issue  
11 that goes directly to the probative value of the pricing  
12 product 2 data, and in our view you have an obligation to  
13 present the data both ways so the Commission can make an  
14 informed decision about what is in fact the right way to  
15 think about the pricing of product 2 when they're making  
16 their ultimate decision.

17           The other thing about pricing is it's really  
18 important to take into account nonsubject import pricing and  
19 what that evidence tells you about the credibility of their  
20 claims. Because when you look at the public data about  
21 pricing from Ecuador, and the pricing from Turkey, you will  
22 see significant volumes coming in at prices that are  
23 significantly lower than the prices from China.

24           Again I was listening very carefully this  
25 morning. The testimony by both Southwire and Encore was



1 that, oh, nonsubject imports are not having any effect at  
2 all. You need to reconcile that with the publicly available  
3 information that shows that there is AWC available on the  
4 market at lower prices than from China. And by their own  
5 testimony, that's not having any effect on the market.

6 In our view, that's much more consistent with  
7 Priority's view of the market, that it's really a  
8 competition based on service, and very inconsistent with  
9 their theory that competition is based on price.

10 With regard to impact, I'm more constrained by  
11 the requirement that I can't say anything that's not public,  
12 but I would just emphasize one key point. And that is, you  
13 cannot really understand the condition of this domestic  
14 industry unless you get a more complete questionnaire  
15 response from the other large domestic producers. It's a  
16 very important issue.

17 And again it's a fairly easy issue to fix because  
18 it's one company. You just need to work the phones and get  
19 a more fulsome response from them. And, frankly, if they're  
20 unwilling to provide a more fulsome response, that fact  
21 itself tells you something.

22 What is it that that company doesn't want to be  
23 on the record before the Commission?

24 And with that, I'll stop. I'll stop our  
25 presentation unless Dan has some other comments.

1                   MR. PORTER: Thanks, Jim. I see we still have a  
2 green light, so I think we have a couple of minutes. I just  
3 want to respond to sort of counsel's statements this  
4 morning. Quite honestly, you can ignore the lawyers. Very  
5 easy. We're talking about data okay.

6                   Let's take Pricing Product 2. It's very simple.  
7 The staff simply needs to send a message to Southwire. For  
8 Southwire, all it needs to do is for Pricing Product 2, list  
9 the model, list the quantity and value for every product  
10 that went into that number and present it. It literally  
11 takes about ten minutes from their data.

12                   You issue the email this afternoon. We get it  
13 on Monday, the parties can comment. So we don't need to  
14 have this abstract debate about Pricing Product 2. Simply  
15 ask Southwire what, which of these products are in their  
16 Pricing Product 2 average and that will be the answer. So  
17 that's comment one.

18                   Comment two is also on the same line. Mr. Levy  
19 expressed outrage that I would suggest that his client and  
20 Southwire were experiencing increased profitability in the  
21 third quarter. Again, let's ignore the lawyers. Simply  
22 issue an email to Southwire and Encore to provide certified  
23 information for the third quarter. Just continue their  
24 questionnaire for the third quarter, and then we'll just --  
25 we'll have the data and then everyone can comment about what

1 the data means.

2 This is simple thing. We don't need to have  
3 this back and forth among the lawyers. Just you the staff  
4 should ask for third quarter information and then let the  
5 parties comment and the Commission can decide on that. With  
6 that, we are concludes our affirmative presentation, and we  
7 very much welcome your questions. Thank you.

8 MS. HAINES: Thank you very much for the  
9 presentation. Very helpful. We'll start with staff  
10 questions from Ms. Martinez.

11 MS. MARTINEZ: Hi. Thank you for your  
12 testimony. Just to discuss a little bit more, I'll  
13 basically be asking a lot of the same questions that I asked  
14 this morning's panel regarding data for the most part, and  
15 just to discuss a little bit more about our, you know,  
16 producer and importer and foreign producer coverage, you've  
17 made it clear that we're missing a whole response from a  
18 U.S. producer. Do you have anything else to add in terms of  
19 anyone else that we're missing or --

20 MR. PORTER: That's exactly for us, because  
21 we're the only ones to see the data. Our only comment is  
22 that Mr. Levy this morning stated that you had sort of  
23 incomplete data from importers. He actually said you only  
24 have about 50 percent. That is 100 percent wrong, and it's  
25 really easy. This is not again a hard thing to fight about.

1           Take your questionnaire data from importers,  
2           divide by the official import statistics, and you'll see 90  
3           percent coverage. Simple. So there is not incomplete data  
4           for importers for a prelim against China. You have a more  
5           complete data here than almost any other case that you've  
6           done against China. So on the import side we're fine.  
7           Where we're missing data is on the U.S. producer side.

8           MR. DURLING: Ms. Martinez, just a bit of a  
9           clarification. I would say that given the constraints of a  
10          prelim, it's really a problem with one domestic producer  
11          response. With the others, the answers were more complete,  
12          especially given the relative size. So if you look at both  
13          completeness of the questionnaire and the relative  
14          importance of that particular company, it's really one  
15          glaring problem that needs to be fixed.

16          Yes, there are tiny issues with the other stuff,  
17          but that doesn't materially affect the way you think about  
18          the prelim. The gaps for the one questionnaire could have a  
19          very, very significant impact. And so the ability to so  
20          dramatically improve the factual record with simply getting  
21          a more complete response from a single company, that's kind  
22          of how we view kind of the way to think about the  
23          investigation.

24          MR. PORTER: I apologize. One more comment.  
25          Again, this is Dan Porter. I think although there are some

1       glaring omissions in the U.S. producers' questionnaire  
2       response, they did provide some data. So for example, I  
3       think you can calculate market share a little more  
4       accurately than what was provided in the petition. So we're  
5       not necessarily suggesting that you throw the whole  
6       questionnaire out. We're just saying there are a lot of  
7       missing rows there and please do your best to get the  
8       company to provide the data. Thank you.

9                MS. MARTINEZ: And how do you respond to I think  
10       earlier this morning, they mentioned that subject import  
11       data, official import statistics for subject imports are  
12       very accurate, but non-subject imports they're not so sure.  
13       Do you have any sense of how clean that data is for  
14       non-subject imports?

15               MR. PORTER: I apologize. You're asking about  
16       official import statistics under the single HTS code?

17               MS. MARTINEZ: Correct.

18               MR. DURLING: Yeah. Basically, I've covered  
19       that in my affirmative testimony. In our view, yes it's not  
20       perfect. But if you look at -- you can validate the China  
21       numbers by comparing the China numbers with your  
22       questionnaire responses and the coverage is so good that you  
23       actually can get a pretty good lineup.

24               With respect to the most important countries,  
25       again you can look at the average unit values to validate

1 that yes, this is -- this is in fact AWC, and so you can  
2 rely upon that. You can also validate because you do have  
3 importer questionnaire response, which confirm the countries  
4 that people have imported AWC from other than China.

5 And so that allows you to also another layer of  
6 kind of corroboration of what is -- well, what's the  
7 non-subject HTS numbers most likely to be relevant for  
8 putting together the best proxy you can of non-subject  
9 imports of AWC for purposes of this investigation?

10 MR. PORTER: Excuse me, this is Dan Porter. One  
11 more comment. What Priority can do and they're not  
12 unfortunately prepared to do it now; they just happen to  
13 have that data available.

14 But they can go back and they can talk to their  
15 sales people, and then in our post-conference we can say  
16 here are the other countries that we see in the marketplace  
17 for AWC, and that will give you yet some additional factual  
18 information, from which then you can pull those countries'  
19 official import statistics under the single HTS number.

20 MS. MARTINEZ: Thank you for that. In your  
21 testimony, there was a lot of mention of, you know, the 232  
22 and the 301 tariffs. But I was wondering how your company  
23 specifically has been affected by those additional tariffs?

24 MR. STRAHS: So the initial 232 tariffs wouldn't  
25 have affected us, because we were primarily bringing in

1 product. 301 affected us completely, 25 percent tariff.  
2 Now we do have a lot of inventory, and so we have to reenter  
3 the market. But we're still working off inventory we've had  
4 in stock for before the tariffs went into place.

5 I think it's no secret if you look at that  
6 there's a record of Chinese imports in September. That's  
7 everybody trying to get stuff in before the tariffs, you  
8 know, go into effect or that was in the pipeline before.

9 MS. MARTINEZ: And is that going to affect your  
10 importing or inventory strategies going forward?

11 MR. STRAHS: It's something that we're obviously  
12 very -- we want to find out what happens here. We watch  
13 things closely. We try to listen to President Trump every  
14 day and see which way the winds are blowing, and it's a day  
15 by day thing. It's hard to answer.

16 MS. MARTINEZ: Okay. So I asked the domestic  
17 producers regarding inventories. So kind of on a similar  
18 note, do you have anything to add regarding just the high  
19 volumes of inventories that we see in this industry, and do  
20 you do anything differently in your view from the domestic  
21 producers from that point?

22 MR. STRAHS: We believe we stock a lot more  
23 inventory than the domestic producers do.

24 MR. PORTER: Yes, this is Dan Porter. Again,  
25 it's a different business model, okay, and I think because

1 you have a different business model, the global, if you  
2 will, average inventory levels is not as indicative as it,  
3 you know, I think often is. I just think you need to take  
4 that into account. I mean you heard Priority today --

5 MR. BURCH: Mr. Porter, can you move the mic a  
6 little closer?

7 MR. PORTER: I apologize, thank you. What you  
8 heard today is Priority has a business model of offering  
9 next day service to distinguish it from Southwire and  
10 Encore, who do not offer that. So I think that's just a --  
11 it's a fundamental sort of competitive dynamic that you need  
12 to take into account when you look at the data.

13 MS. MARTINEZ: Thank you. That was very  
14 helpful. So I heard that import trends from China here are  
15 different from other cases. I'm not sure if I got the  
16 explanation for that. Can you elaborate please?

17 MR. DURLING: Obviously it's order of magnitude.  
18 It's not unusual in China cases to see far more dramatic  
19 increases in imports.

20 Yes, there was an increase in imports. We're  
21 not saying there wasn't an increase in imports. But at the  
22 end of the day, the importance of that increase is how does  
23 increase translate into market share, and I can't get into  
24 details about that in the public session, but the data will  
25 speak for itself.



1                   And you know, at the end of the day it's an  
2                   increase in Chinese volume that is coming largely at the  
3                   expense of non-subject imports, has a different impact than  
4                   an increase in Chinese volume that is taking market share  
5                   from the domestic industry. But we're not saying that  
6                   Chinese imports did not increase.

7                   (Pause.)

8                   MS. MARTINEZ: Yeah. I guess I'm a little bit  
9                   confused, because non-subject imports also increased during  
10                  the period. They didn't decrease.

11                  MR. DURLING: I guess it's for what specific  
12                  sub-periods of time you're talking about. We're happy to  
13                  address those fully in the post-conference, where we can get  
14                  into the specific numbers. So we're happy to do that.

15                  MS. MARTINEZ: Okay, that sounds good. I think  
16                  those are all my questions for now. Thank you very much.

17                  MS. HAINES: Mr. Sutton.

18                  MR. TSUJI: Thank you. A question for the  
19                  lawyers. Do you agree with the proposed definition of the  
20                  domestic like product and the domestic industry that  
21                  Petitioners have put forward?

22                  MR. PORTER: The answer is yes. For purposes of  
23                  this preliminary proceeding, we agree with the like product  
24                  definition. Obviously, we can look at it some more. Should  
25                  the case go forward, we reserve a right to perhaps change

1 our mind on that for the final. But for purposes of the  
2 preliminary proceeding, we agree with the like product  
3 definition.

4 MR. TSUJI: And what about the domestic industry  
5 definition? In other words, are there any related party  
6 issues or --

7 MR. PORTER: We have not studied that intently,  
8 but I have to tell you is again, we like to take the case as  
9 Petitioners have presented it and say it doesn't meet the  
10 legal criteria for going forward. So again, for the purpose  
11 of these preliminary proceedings, we will agree with the  
12 composition of the domestic industry as Petitioners have  
13 framed it.

14 MR. TSUJI: Okay, thank you. So my next  
15 question, and this is something similar to what I asked  
16 Petitioners. It has to do with the effect of the 232s on  
17 raw material costs. As I understand your argument, you're  
18 saying that the domestic industry took advantage of the 232  
19 tariff to raise their prices, even though they weren't  
20 sourcing aluminum feedstock from sources that were directly  
21 affected by that tariff.

22 But I mean isn't it the case that the imposition  
23 of that tariff caused aluminum feedstock prices to go up  
24 generally?

25 MR. PORTER: Mr. Sultan, I was making sort of a

1 -- again, this is Dan Porter. I was making a general point,  
2 okay.

3 MR. BURCH: Please speak into the microphone.

4 MR. PORTER: I apologize again, thank you. This  
5 is Dan Porter. I was making a general point, and I think we  
6 don't need to sort of get, talk about abstract concepts.  
7 Very simply ask Encore and Southwire to provide third  
8 quarter information including profitability information. I  
9 believe when you get that information, you will see  
10 increased profitability.

11 Why? Because possibly the cost, their cost of  
12 aluminum went up, as you're correct, the market went up.  
13 But they maintain inventories. So their costs on a cost of  
14 goods sold basis was probably flat, you know, flat. So they  
15 have an immediate increase in price and their cost is  
16 relatively the same. That's going to translate to increased  
17 profitability.

18 But again, I fully admitted I'm sort of  
19 espousing an economic concept. Just ask them for the data.  
20 We can all look at their data and then talk about it.

21 MR. TSUJI: Okay, thank you. So a question  
22 about market share, Mr. Durling. You said that the subject  
23 imports' market share, I'm sorry that the domestic  
24 industry's market share was about the same at the end of the  
25 period as it was at the beginning. That's not what I'm

1 seeing in the petition. So what data are you basing that  
2 assertion on?

3 MR. DURLING: The biggest difference is because  
4 we have partial data on an additional producer, the  
5 questionnaire data to date gives the Commission a better  
6 basis for calculating an estimated market share than the  
7 petition. The petition by definition was limited to two  
8 companies. There is a very important third company and  
9 we've done an estimate based on the questionnaire data  
10 currently available for the Commission.

11 Hopefully that data will improve, but based on  
12 the data currently available, that was the basis for our  
13 estimate.

14 MR. TSUJI: Thank you, and my last question  
15 relates to non-subject pricing. You spoke of prices of  
16 imports from Ecuador and Turkey. Are Ecuador and Turkey  
17 major non-subject suppliers?

18 MR. DURLING: Yes. If you basically look at --  
19 essentially we just did a download of all trade under this  
20 HTS number, and we sorted it by relative volume, and if you  
21 look at the relative volume obviously China is a major  
22 supplier of this product. But Ecuador and Turkey are I  
23 think two of the top five suppliers of product under this  
24 HTS number, and they are providing products at AUVs that  
25 strongly indicate that in fact it's comparable AWC.

1                   Again, if you look at some of the smaller volume  
2 suppliers in the market, you'll see AUVs that make no sense  
3 for AWC. I mean as I mentioned, you'll see AUVs of 10-20  
4 dollars, which clearly is not a per pound price of AWC. But  
5 for Turkey and Ecuador, Mexico is another major supplier,  
6 that is coming in as AWC.

7                   MR. PORTER: Mr. Sultan, if I can add, this is  
8 Dan Porter. Quite honestly, we went to your data web. It's  
9 right here. Just sort it by country and Jim is right,  
10 Ecuador and Turkey are in the top five country suppliers of  
11 this HTS. Everyone agrees this HTS is a good proxy for  
12 China and these other countries that makes sense for volume  
13 analysis.

14                   So you can see that Ecuador and Turkey are  
15 selling essentially this product --

16                   MR. BURCH: Can you speak into the mic, Mr.  
17 Porter?

18                   MR. PORTER: I apologize, selling this product  
19 at comparable prices to China. In fact lower prices than  
20 China, and they are high volume suppliers. So the data is  
21 right here.

22                   MR. DURLING: This is Jim Durling. Just one  
23 additional follow-up on this issue. Like many cases, you  
24 know, constructing a credible set of data on non-subject  
25 imports is challenging, and this is one of those cases.

1 Here is, I think, the key point. For the large volume  
2 countries, the data is in fact indicative and reliable.

3 But this is a basket category, and that's why  
4 you have small volumes of very high priced stuff coming in  
5 from other countries. This is a basket category, and so  
6 yes, AWC goes into this category. AWC is the bulk of what  
7 is reported in this category on a global basis, but you do  
8 have other stuff coming in from some countries.

9 But just sort of look at it by AUVs, and it  
10 becomes pretty clear what's what.

11 MR. TSUJI: Okay, thank you. That's all I have.

12 MS. HAINES: Okay, thank you. Ms. Preece.

13 MS. PREECE: Thank you. Thank you, Dan, for  
14 coming. It's always useful to have a good panel. It's  
15 interesting. I'd like to have -- Product 2, I need that  
16 definition and we'll need to go into that immediately if  
17 we're going to get anything from the parties. So maybe you  
18 can provide it to me afterwards, the definition you think  
19 that it should be. So we could just have two possible  
20 Product 2s and look at the prices, and we'll just do that.

21 Now I'm going to go back to our cost, this  
22 feeder intermediate, small, and that's you basically agree  
23 that 80 percent of feeder is aluminum now, new?

24 MR. STRAHS: So of the product that we sell?

25 MS. PREECE: No, of the --

1 MR. STRAHS: Of the marketplace.

2 MS. PREECE: --marketplace.

3 MR. STRAHS: No. I would think that would be a  
4 little high. I think there would be more copper involved.

5 MS. PREECE: More copper, okay. And then the 20  
6 percent of this intermediate material would be aluminum?

7 MR. STRAHS: That's probably fairly accurate,  
8 but there's probably a little more copper involved there as  
9 well.

10 MS. PREECE: Okay, and now if we are going to go  
11 into the cost of a -- the aluminum wire in the cost of a  
12 stadium, do you think that two to eight percent makes sense,  
13 or is that high or low?

14 MR. STRAHS: I was running a number. I think  
15 that was a billion dollar stadium. So if it was two  
16 percent, it's two million. That's probably realistic for  
17 the wiring in the stadium.

18 MS. PREECE: Okay, and for a house, a home. If  
19 you're putting in aluminum feeder, how much of the cost of  
20 the home would be the aluminum feeder?

21 MR. STRAHS: So again, the cost of the aluminum  
22 feeder would be whatever comes from the road to the meter  
23 box, and then perhaps a short piece that goes into the  
24 breaker box. You know, that could be depending on the  
25 house, 500 to 1,000 dollars. So if a house is 300,000, it's

1 very small of the cost.

2 MS. PREECE: Okay, okay. So give me a percent,  
3 because I need that.

4 MR. STRAHS: Whatever is 1,000 by 300,000.

5 MS. PREECE: Okay. I'll use your numbers and  
6 we'll do the division. Now you've got cheaper houses than  
7 I've got.

8 MR. STRAHS: I'm from Arkansas.

9 MR. SULTAN: One third of one percent.

10 MS. PREECE: One-third of one percent. Okay,  
11 he's so smart. It's wonderful to have a smart lawyer next  
12 to you. Okay.

13 MR. PORTER: I'm sorry. Ms. Preece, can I just  
14 make a very important point?

15 MS. PREECE: Yes.

16 MR. PORTER: This is Dan Porter, because you had  
17 some comment with the domestic industry and at least earlier  
18 in the day, they tried to convey the impression that copper  
19 is not a substitute for AWC, at least I believe that was a  
20 statement by counsel. Yet just a little, a few minutes  
21 later, their industry person fully admitted that copper is a  
22 substitute for AWC. I want to make very sure that point is  
23 understood. Copper is a substitute for AWC in all  
24 applications.

25 MS. PREECE: Oh, already written in the report.



1 MR. PORTER: Okay.

2 MS. PREECE: Not in all applications. I just  
3 said it is a substitute. It's the only substitute. Is  
4 there any other substitute out there?

5 MR. STRAHS: No.

6 MS. PREECE: You can't use gold to do this?

7 MR. STRAHS: Yes, you could. So you could make  
8 gold wire, you could make silver wire.

9 MS. PREECE: Oh really silver? I didn't know  
10 silver was electrical.

11 MR. STRAHS: You could. Nobody would.

12 MS. PREECE: Oh good, okay. Take it from him.  
13 He says gold. I know that gold's really good.

14 MR. STRAHS: Yes, it's really good.

15 MS. PREECE: But unfortunately it's kind of  
16 expensive.

17 MR. STRAHS: It would very expensive. Yes, yes.

18 MS. PREECE: Okay, great. And are you -- do you  
19 consider yourself to be a master, master distributors of  
20 this?

21 MR. STRAHS: No. We just consider ourselves to  
22 be a supplier.

23 MS. PREECE: So are you a distributor?

24 MR. STRAHS: We are a supplier of wire and  
25 cable. So all of the wire we sell, we've worked with

1 partners throughout the world to -- our name's on it. We  
2 get an E number, which is you can track who made that wire.  
3 So our number's on there. We've done the engineering work  
4 for it. We're responsible for it.

5 If a customer has a problem they come to us. We  
6 don't say go talk to somebody else. So we just consider  
7 ourselves Priority Wire and Cable, and that's really the  
8 story we've told the last four years. It's helped us propel  
9 our growth, because we put -- the factories like to say that  
10 we're a master distributor.

11 We're just a distributor, so why are you buying  
12 from them? Buy from a factory. So we all distribute,  
13 right? We give wire to somebody else. But we consider  
14 ourselves a supplier of wire and cable.

15 MS. PREECE: Okay, and do you --

16 MR. STRAHS: Sometimes I call myself a modern  
17 manufacturer, just like the Nikes don't have a single  
18 factory, right? It's a brand. Apple doesn't make the  
19 iPhone, you know. But you buy it from Apple, it's a brand.

20 MS. PREECE: Dan has something to say.

21 MR. PORTER: This is Dan Porter. I just got  
22 confirmation that we can state this publicly. Priority only  
23 sells to distributors.

24 MS. PREECE: Okay. So it is --

25 MR. PORTER: So they sell to distributors.

1 MS. PREECE: So they sell to distributors. They  
2 do not sell to the --

3 MR. STRAHS: We do not sell to end users.

4 MS. PREECE: To the end user, okay.

5 MR. PORTER: They do not sell to end users, and  
6 they also do not sell -- unlike Southwire, they don't sell  
7 to big box stores like Home Depot.

8 MS. PREECE: Okay.

9 MR. PORTER: So the idea that there is this  
10 complete overlap of competition between Southwire and  
11 Priority is not true. Southwire has some portion of their  
12 sales go to Home Depot. I went into Home Depot this weekend  
13 to do some field research, and there was a lot of Southwire  
14 aluminum wire cable in the Home Depot store.

15 MS. PREECE: And that wasn't through a  
16 distributor that it was --

17 MR. PORTER: I can't answer that question. All  
18 I know is that Priority does not sell to Home Depot. They  
19 just sell to distributors.

20 MS. PREECE: Okay.

21 MR. PORTER: And typically, Home Depot doesn't  
22 go through distributors. They typically go to the  
23 manufacturer, but that's just for other products as well.

24 MS. PREECE: Okay, okay. So it would be an  
25 assumption, but it would be a reasonable assumption that

1 they are selling directly to Home Depot. Is that what  
2 you're saying?

3 MR. STRAHS: Yes, that's reasonable.

4 MR. PORTER: The industry experts say yes,  
5 that's a reasonable assumption, that Southwire is selling  
6 directly to Home Depot.

7 MS. PREECE: Okay, thank you. Maybe we can ask  
8 them about that at some point in our investigation. Okay.  
9 So we got the cost shares. It seems like they're a little  
10 -- okay. Master distributor. Okay. The other thing is  
11 these price lists. Do you basically agree everybody goes to  
12 Southwire's price list? Is that what you were saying?

13 MR. STRAHS: Yes, that's my belief. That's what  
14 we do. So we have a list price on our website, and the list  
15 prices would be within pennies of Southwire's list price  
16 sheet, and then there's a discount in the industry that gets  
17 you to your net price.

18 MS. PREECE: Okay, and so the price -- anything  
19 to do with the price basically is in the discounts, rather  
20 than in the price list?

21 MR. STRAHS: Yes, but the price list does set --  
22 since the price list has maybe 30 different products on it,  
23 different sizes of wire. So once that list is set, once you  
24 know the multiplier, it generally goes across that whole  
25 price sheet.

1 MS. PREECE: Okay.

2 MR. STRAHS: So that kind of locks in pricing  
3 really for all gauge sizes of wire, and in some cases  
4 certain types of wire that are on that price sheet.

5 MS. PREECE: Okay, and so if I came in and I  
6 said okay, I got the price for Product A, you could say umm,  
7 the price for Product B is A times X?

8 MR. STRAHS: Yes. So if I have -- if you gave  
9 me a price for one of the sizes of wire on that price sheet,  
10 I can work it backwards, figure out that multiplier  
11 discount, and I know the pricing for everything on that  
12 sheet and generally that holds true.

13 MS. PREECE: Okay, okay. And that's -- but  
14 nobody says well, I'll give you a special discount on this  
15 product, but then we won't get the same discount on that.  
16 Everybody basically gives a discount across the board? Is  
17 that --

18 MR. STRAHS: Normally yes. That's about --

19 MS. PREECE: That's normal?

20 MR. STRAHS: The difference would be if it were  
21 a job or a project where there's only one size of wire and  
22 it's a very large amount.

23 MS. PREECE: Right, right.

24 MR. STRAHS: So that may, you know, there's just  
25 two or three sizes of wire, not a whole shopping list.

1 MS. PREECE: Right.

2 MR. STRAHS: Then there -- maybe somebody tweaks  
3 it because they look to see they make a little more money on  
4 one or the other and they're trying to get an advantage.  
5 They might tweak it a percent or two.

6 MS. PREECE: Okay.

7 MR. STRAHS: But in this whole industry, there's  
8 not -- there's not a lot of bandwidth here. You know, it's  
9 just percent.

10 MS. PREECE: Okay, okay. Yeah, we just you  
11 know. That's very helpful. Okay. What is quality in this  
12 product?

13 MR. STRAHS: On one end the quality is driven by  
14 the standards. So when you say a type W, you can look into  
15 books that are printed, what that is and what it has to do  
16 and all the tasks would have to go through. That would  
17 actually be for W, for instance, that would be copper or  
18 aluminum, same types of standards. That's the base.

19 MS. PREECE: Okay, and so there's a standard and  
20 that's based -- usually people want it to the standard,  
21 and that's quality?

22 MR. STRAHS: Generally, but there are some  
23 differences. The way you can anneal the aluminum during its  
24 production, you can make it in some cases some people our  
25 product; in some cases it's more flexible than others in the

1 way they anneal it. So it's the same product. But to a  
2 user, they might like one company's over the other because  
3 of the flexibility or the way it feels.

4 MS. PREECE: Okay, okay. Okay. I think I'm  
5 done with questions for this morning. Thank you.

6 MR. STRAHS: All right, thank you.

7 MS. HAINES: Okay, thank you. Mr. Tsuji?

8 MR. TSUJI: Thank you. Karl Tsuji again, the  
9 commodity industry analyst for this investigation. I just  
10 have a few questions for this panel. A couple of them are  
11 holdovers from the questions I asked of this morning's  
12 panel. First of all, are you aware of whether or not the  
13 Chinese producers of aluminum wire and cable purchase their  
14 aluminum wire feedstock, or do they tend to produce it  
15 themselves within their own facilities?

16 MR. STRAHS: Unfortunately I'm not aware. I  
17 don't know.

18 MR. TSUJI: Okay, thank you. The second  
19 question is much more product-specific, particularly for  
20 those in the -- who are in the distributing, importing  
21 segment of the industry. Are there any designated markings  
22 on aluminum wire and cable to identify the manufacturer?

23 MR. STRAHS: Yes. There's what would be called  
24 an E number. So UL issues an E number to kind of the  
25 manufacturer of record. So if you were to pick up anybody's

1 piece of wire and if it didn't have a brand name on it, you  
2 could track that E number back to production.

3 MR. PORTER: Excuse me, this is Dan Porter. I  
4 just want to be clear and make sure we're all on the same  
5 page. Do you have your own E number?

6 MR. STRAHS: Yes.

7 MR. PORTER: Okay, but you're not the  
8 manufacturer?

9 MR. STRAHS: Correct.

10 MR. PORTER: Okay. So I want to be sure that  
11 when the question asks about the manufacturer, that with  
12 respect to what you sell, no one knows who the manufacturer  
13 is because it has your E number?

14 MR. STRAHS: Yes. Generally, that's so.

15 MR. PORTER: And just to take this a little bit  
16 further, so if you bought U.S.-produced AWC and you bought  
17 Chinese-produced AWC and you bought some other foreign  
18 country AWC and it was all the same part number and you sold  
19 it under your brand, it would have your E number?

20 MR. STRAHS: No, not necessarily, because we may  
21 want a different number so we can track it so we know. So  
22 that's not always the case.

23 MR. PORTER: Okay, but the part, it's the same  
24 part number?

25 MR. STRAHS: Same part number, yes.



1                   MR. PORTER: Okay. So it would be very  
2 difficult for someone opening up a box to know where the AWC  
3 was made.

4                   MR. STRAHS: Correct, yes.

5                   MR. PORTER: Thank you.

6                   MR. TSUJI: Okay, thank you. And then the other  
7 question as a holdover from this morning that I also want to  
8 ask of this panel is are you aware of any current  
9 anti-dumping or countervailing duty orders on aluminum wire  
10 and cable imported from China in third country markets?

11                  MR. STRAHS: No.

12                  MR. PORTER: We are not.

13                  MR. TSUJI: Okay, thank you. And finally, again  
14 I'd like to ask your permission to include in the staff  
15 report any images of aluminum wire and cable from your  
16 respective company websites.

17                  MR. STRAHS: Yes, that's all right.

18                  MR. TSUJI: Okay, thank you very much. Ms.  
19 Haines, I have no further questions.

20                  MS. HAINES: Okay. No other staff questions?  
21 So I think we are done with our staff questions. Thank you  
22 very much for the helpful testimony.

23                  MR. PORTER: Thank you, Ms. Haines.

24                  MR. BURCH: Closing and rebuttal remarks on  
25 behalf of in support of imposition will be given by Jack A.

1 Levy of Cassidy Levy Kent. Mr. Levy, you have ten minutes.

2 CLOSING STATEMENT OF JACK A. LEVY

3 MR. LEVY: Thank you. Jack Levy for Encore Wire  
4 Corporation. I think what we heard today was testimony from  
5 Priority Wire and Cable, where certainly in my view they  
6 were quite cavalier with a number of facts and made a lot of  
7 spurious accusations.

8 Just to give you some examples, I think I  
9 remember a colloquy where Ms. Preece asked Mr. Strahs are  
10 you a master distributor, and I think Mr. Strahs answered  
11 no, we're just a supplier. I think I heard that right. So  
12 while we were listening, my colleague Googled Priority Wire  
13 and Cable and found a link an About Us page of Priority Wire  
14 and Cable.

15 The first sentence reads "Priority Wire and  
16 Cable is the best master distributor." I'm not sure how you  
17 reconcile that. Mr. Porter said, and I quote "Copper is a  
18 substitute in all applications." That is far too sweeping a  
19 statement. It is far from correct, and you've heard sworn  
20 testimony from two U.S. industry witnesses that have told  
21 you quite the opposite.

22 To be sure, there's overlap in competition for  
23 certain applications. But when the rubber hits the road and  
24 you are getting an RFQ from a master distributor for a  
25 project, they've already made their decision about whether

1 they want copper and aluminum. On that basis, if they're  
2 ordering an aluminum wire and cable product, you're  
3 competing on the basis of availability and price.

4 Finally what we heard from Priority today were  
5 some very spurious allegations about really the integrity of  
6 U.S. producers. They painted a picture of a U.S. industry  
7 that runs a gulag, and you know, frankly it was profoundly  
8 offensive. I'm going to let the CEO of Encore respond just  
9 very briefly on that point.

10 MR. DANIEL JONES: This is Daniel Jones of  
11 Encore Wire, and he told me to keep it to 30 seconds, which  
12 is a little bit difficult. There's some passion built up in  
13 this piece of it. Out of respect to Mr. Strahs, I'm sure  
14 their companies are fantastic. But I can tell you ours is  
15 as well. I've been there from Day 1, 1989. Next May will  
16 be 30 years for me. I was the third employee. We now have  
17 over 1,200.

18 Some of the things they said I'm not sure that  
19 they would know. I didn't Google their companies to try to  
20 dig anything up. Quite frankly, I'm told by counsel not to  
21 read stuff on Glass Store for various reasons, because I  
22 would like to respond to Glass Store and they don't like me  
23 to do that.

24 In that sense, we have a fine company. There's  
25 no question about that. We've been publicly traded since

1 1992. We've never had a down year. We've never lost money.  
2 I can go on and on and on. That's not the case. I do have  
3 industry experience. I live it. I talk with customers on a  
4 regular basis. I'm in the field in a consistent basis with  
5 customers, with end users, and I can tell you that our  
6 product is fantastic.

7           The issue here is not a quality one. I could go  
8 into detail if you would like on the E number conversation,  
9 which is semi-accurate. But to keep it to Encore Wire  
10 specific, we're a fantastic company, and I'd welcome any of  
11 you guys to tour it, because we are publicly traded. I just  
12 got poked in the leg so I'm done. Thank you.

13           MR. LEVY: Thank you, Daniel. You know, and on  
14 a related attack on the U.S. industry was the claim that  
15 Petitioners can't ship the same day. That's just flat  
16 wrong, and if you visit the warehouse in McKinney what  
17 you'll find is a -- the leanest, just-in-time logistics  
18 system that I've ever seen in my two decades of plant tours.

19           It is extraordinary and so this is an industry  
20 that prides itself in speedy delivery. Nothing could be  
21 further from the truth. Moreover, if master distributors of  
22 Chinese origin product really did have superior delivery,  
23 why are their prices lower? Look at the underselling. If  
24 they really were better on that factor, why do we see a  
25 record of pervasive underselling? So I'd just ask you that

1 question.

2                   So the final point regarding Priority should be  
3 a simple one. This is a case about aluminum wire and cable  
4 from China. Priority is just one master distributor of many  
5 of aluminum wire and cable from China. Where are the other  
6 importers and distributors? They're not here testifying  
7 today. Some of them haven't bothered to answer a  
8 questionnaire.

9                   But the reality is that this Commission is  
10 tasked with examining subject imports. And so independent  
11 of what Priority may or may not want their narrative to be,  
12 you're charged with looking at the industry as a whole.  
13 What do you see in that context? First, let's talk about  
14 volume, Exhibit 1.

15                   There should be no doubt that the volume of  
16 subject imports is significant within the meaning of the  
17 statute, and regardless of how Mr. Durling may hope to slice  
18 and dice the data, in an environment of rising demand U.S.  
19 producers have lost share and lost share to subject imports.  
20 So it's quite clear that with respect to the volume prong,  
21 there's clear indication of an affirmative finding.

22                   With respect to pricing, a couple of things that  
23 are worth saying about price. You heard a lot of testimony  
24 about our cost-price squeeze. Industry leaders have talked  
25 to you about their gross margins being squeezed. You think

1 about it in terms of a COGS to net sale ratio. But the data  
2 do the talking.

3 So I would urge you to look at that record. On  
4 a related point on underselling, I think we heard from  
5 Priority an acknowledgment that this is a commodity product.  
6 The underselling record is telling, and these claims about  
7 Product 2 and Sweetbriar is on our view a red herring. But  
8 to Ms. Preece's point, I would definitely say ask the  
9 question about how these products were reported in  
10 connection with Product 2.

11 We would simply defer to the record as it  
12 unfolds. From our point of view, this is a red herring and  
13 there's absolutely nothing to hide here. They're barking up  
14 the wrong tree.

15 Finally on the issue of impact, you've heard  
16 sworn testimony from a U.S. industry that has invested tens  
17 of millions of dollars to make world class facilities, an  
18 industry that has depressed capacity utilization in an  
19 environment of rising demand, an industry that is losing  
20 money and failing to get a return on its significant  
21 investments.

22 In the face of that, you've heard claims from  
23 Respondents that somehow the Section 232 action was a gift.  
24 It was anything but. It has actually exacerbated the  
25 cost-price squeeze, precisely because subject imports place

1 a ceiling on the prices that they can charge.

2 Similarly, Section 301 was not a gift. Mr.  
3 Porter is desperate to bring us already to the final phase  
4 where the third quarter 2018 is before you. But his own  
5 witness, Mr. Strahs, testified here under oath that after a  
6 brief fleeting moment of a price increase in early July,  
7 "prices came back down again." That's what we're telling  
8 you. The Section 301 action was not a panacea, because  
9 somehow, some way the Chinese found a way to overcome the  
10 impact of the duty, whether it be through Chinese  
11 government measures or outright circumvention or some other  
12 means.

13 And finally let us not forget that Section 301  
14 is not about remedying unfair trade practices. It's about  
15 something else. The administration instructs us as much,  
16 and it's not your job to essentially nullify Title VII of  
17 the Trade Act simply because the administration has elected  
18 to apply Section 301 duties.

19 What you have on this record is far more than a  
20 reasonable indication that subject imports have caused  
21 material injury to the U.S. industry, and that they continue  
22 to threaten future injury. In fact, the evidence on this  
23 record with respect to volume, with respect to price, with  
24 respect to impact is palpable.

25 To be sure, there are gaps in this record. Some

1 gaps will be filled in the days to come. Others need to be  
2 filled in a final phase. But we think that this record  
3 clearly supports an affirmative determination. The injury  
4 experienced by this industry is real, and Priority might be  
5 cavalier in dismissing it.

6 But this is an industry that has worked hard to  
7 be efficient and to thrive, and is being undercut by unfair  
8 trade practices. Thank you very much for your time and  
9 attention, and we look forward to providing more information  
10 in our post-conference brief.

11 MS. HAINES: Thank you.

12 MR. BURCH: Closing and rebuttal remarks on  
13 behalf of in opposition to imposition will be given by James  
14 P. Durling of Curtis, Mallet-Prevost, Colt and Mosle. Mr.  
15 Durling, you have ten minutes.

16 CLOSING STATEMENT OF JAMES P. DURLING

17 MR. DURLING: Thank you. I won't need ten  
18 minutes. One of the benefits of being Respondent is we hear  
19 the morning panel and much of what we would say in rebuttal  
20 we were able to weave into our affirmative testimony. But I  
21 will end on a few closing thoughts.

22 At its core, I agree with part of Mr. Levy's  
23 closing rebuttal statement, and that is at the end of the  
24 day, the record speaks for itself. You've heard a lot of  
25 characterizations by various advocates and by company



1 representatives, but at the end of the day the record speaks  
2 for itself. You're gathering data; the data will speak for  
3 itself.

4           But I think that underscores what's so  
5 important, which is to make sure the data is as good as it  
6 can be for purposes of this preliminary. I think part of  
7 that is fixing the problem on Pricing Product 2 and  
8 Sweetbriar, because there clearly is a product mix issue for  
9 the one company, and they haven't really denied that. In  
10 fact, Mr. Levy seems to welcome the opportunity to clarify  
11 the issue.

12           So we hope the staff does come back and clarify  
13 the Pricing Product 2 issue because it is an important issue  
14 in this case, in particular because when you look at the  
15 patterns of underselling, you'll see a disconnect between  
16 the patterns on Product 1 and Product 3 and Product 2.

17           In our view, once you fix the problem on Product  
18 2, all the pricing product data will be more closely aligned  
19 and it will give you a better basis for making a decision  
20 about price effects in this case. That's one important issue  
21 to address.

22           The other important issue is you're hearing  
23 competing accounts of what was the effect of the 301, and  
24 the Commission has practices, but the practices are not an  
25 iron clad rule, a strait jacket that you can never escape

1 from. Standard practice is a starting point, which as the  
2 Commission often says every case decided case by case.

3 So you can evaluate in a particular case whether  
4 there's something kind of a bit beyond the normal practice  
5 that's appropriate for a particular case, and this is one of  
6 those examples. You have an incredibly important event that  
7 occurred days after the end of your traditional approach to  
8 how you define the Period of Investigation.

9 There is an answer to these competing accounts  
10 about what happened in the third quarter of 2018, and that's  
11 simply ask for some supplemental information from the  
12 parties about the results for the third quarter of 2018.  
13 That will answer the question, you know. Is in fact their  
14 version that oh, there is ephemeral blip in the price which  
15 immediately disappeared because of the nefarious Chinese.

16 Is that version borne out by the data? Or is  
17 our version, that namely there was a very important market  
18 phenomena which had a very important effect on the domestic  
19 industry, and you have the opportunity to collect data to  
20 answer that question? Don't listen to the characterizations  
21 of the lawyers on both sides; collect the data and see what  
22 the data says. Thank you.

23 MS. HAINES: Thank you very much. On behalf of  
24 the Commission and the staff, I'd like to thank the  
25 witnesses who came here today as well as counsel, for

1 helping us gain a better understanding of the product and  
2 the conditions of competition in the aluminum wire and cable  
3 industry. Before concluding, please let me mention a few  
4 dates to keep in mind.

5 The deadline of submission of corrections to the  
6 transcript and for submission of post-conference briefs is  
7 Wednesday, October 18th. If briefs contain Business  
8 Proprietary Information, a public version is due on  
9 Thursday, October 19th. The Commission has tentatively  
10 scheduled its vote on these investigations for Friday,  
11 November 2nd, and it will report its determinations to the  
12 Secretary of the Department of Commerce on Monday, November  
13 5th. Commissioners' opinions will be issued on Tuesday,  
14 November 13th.

15 Thank you all for coming. This conference is  
16 adjourned.

17 (Whereupon, at 12:17 p.m., the conference was  
18 adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Aluminum Wire and Cable from China

INVESTIGATION NOS.: 701-TA-611 and 731-TA-1428

HEARING DATE: 10-12-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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