

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of:	)	
	)	Investigation No.
CERTAIN STEEL THREADED	)	731-TA-1145
ROD FROM CHINA	)	(Preliminary)

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Place: Washington, D.C.

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   ) Investigation No.:  
 CERTAIN STEEL THREADED         ) 731-TA-1145  
 ROD FROM CHINA                     ) (Preliminary)

Wednesday,  
 March 26, 2008

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

## APPEARANCES:

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ALAN D. LOGAN, VP Operations, Vulcan Threaded  
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WILLIAM BUCKNER, National Sales Manager, Vulcan  
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Products, Inc.:

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 MR. CARPENTER: Good morning, and welcome to  
4 the United States International Trade Commission's  
5 conference in connection with the preliminary phase of  
6 antidumping investigation No. 731-TA-1145 concerning  
7 imports of Certain Steel Threaded Rod From China.

8 My name is Robert Carpenter. I'm the  
9 Commission's Director of Investigations, and I will  
10 preside at this conference. Among those present from  
11 the Commission staff are, from my right, Jim McClure,  
12 the investigator; on my left, Peter Sultan, the  
13 attorney/advisor; Kelly Clark, the economist; Mary  
14 Klir, the auditor; and Karen Taylor, the industry  
15 analyst.

16 I understand the parties are aware of the  
17 time allocations. I would remind speakers not to  
18 refer in your remarks to business proprietary  
19 information and to speak directly into the  
20 microphones. We also ask that you state your name and  
21 affiliation for the record before beginning your  
22 presentation.

23 Are there any questions?

24 (No response.)

25 MR. CARPENTER: If not, welcome, Mr. Waite.

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1 Please come forward for your opening statement.

2 MR. WAITE: Thank you, Mr. Carpenter and  
3 members of the Commission staff. My name is Fred  
4 Waite with the firm Vorys, Sater, Seymour & Pease. I  
5 am here on behalf of the Petitioner in this  
6 investigation, Vulcan Threaded Products, Inc., which  
7 is the largest producer of steel threaded rod in the  
8 United States.

9 We are here today to talk about a low carbon  
10 steel product, threaded rod, which is being shipped to  
11 the United States in ever increasing quantities and at  
12 very low prices from China. Threaded rod is a  
13 commodity type product that is used for various  
14 applications in commercial construction. Threaded rod  
15 is sold primarily on the basis of price, and there are  
16 no significant quality differences between threaded  
17 rod made by one manufacturer versus another.

18 In a very short time, imports of low carbon  
19 steel threaded rod from China have infiltrated the  
20 U.S. market and seized the majority of the market by  
21 selling at unfair prices. As a result, the U.S.  
22 threaded rod industry has experienced significant  
23 declines in production, sales and profitability, and  
24 some U.S. producers have even had to shut down  
25 production facilities during the period of

1 investigation.

2 In terms of import volumes, China is far and  
3 away the most significant source of threaded rod in  
4 the U.S. market. In 2005, China accounted for 64  
5 percent of all imports. By 2007, that figure had  
6 increased to 73 percent. These figures are taken from  
7 the official import statistics for HTS No. 7318155060,  
8 which is the reporting category for carbon steel  
9 threaded rod.

10 Although this HTS number also contains  
11 nonsubject merchandise, it is the best proxy for the  
12 trends and imports from China during the POI. Based  
13 on Vulcan's estimates of the size of the U.S. market  
14 and the volume of imports reported for this HTS  
15 number, imports of steel threaded rod from China  
16 increased substantially during each year of the POI  
17 from 32 million pounds in 2005 to 84 million pounds in  
18 2006 to 127 million pounds in 2007. That is an  
19 incredible increase of nearly 300 percent in just  
20 three years.

21 How did they do this? The answer is simple.  
22 Continuous and significant underselling of domestic  
23 prices. In our petition, we calculated average unit  
24 values from China based on the official import data  
25 for the HTS reporting category for carbon steel

1 threaded rod.

2           Keep in mind, even these low values are  
3 probably overstated because the HTS number for low  
4 carbon threaded rod is a basket category, which  
5 includes high value, nonsubject products like alloy  
6 threaded rod. Nevertheless, we compared these  
7 inflated AUVs with the value of domestic shipments  
8 which were declining over the POI in response to  
9 ridiculously low prices from China. The result was an  
10 average margin of underselling of more than 15  
11 percent.

12           We believe that the pricing data being  
13 collected for three pricing products in this  
14 investigation will reveal even more dramatic  
15 underselling by Chinese imports, and later this  
16 morning you will hear testimony about the effect the  
17 dumped Chinese imports have had on Vulcan's customer  
18 accounts. Vulcan has been forced to drop its prices  
19 and even sell at a loss in order to retain business.

20           The impact of Chinese imports on the  
21 domestic threaded rod industry has been devastating.  
22 There have been overall declines in the various  
23 economic indicators that the Commission considers such  
24 as production, sales, market share, profitability,  
25 capacity utilization and employment. Between 2005 and



1 2007, domestic shipments plummeted by an estimated 39  
2 percent while China captured two-thirds of the U.S.  
3 market.

4 Vulcan will be testifying shortly about the  
5 injury that it and other domestic producers have  
6 experienced as the result of dumped imports from  
7 China. During the POI, for example, one domestic  
8 producer was forced to close its primary threading  
9 facility while another domestic producer sold off its  
10 threading machines and became an importer and  
11 distributor of threaded rod from China.

12 Despite a robust market for commercial  
13 construction and strong demand for threaded rod,  
14 Vulcan itself has experienced a decline in threaded  
15 rod production of 11 percent over the POI. The  
16 company has attempted to retain business by lowering  
17 its prices to try to match the Chinese import  
18 offerings. This has led to drastic reductions in the  
19 company's margins and, in 2007, to the first recorded  
20 loss for Vulcan's Threaded Rod Division.

21 Vulcan and the remaining U.S. producers of  
22 threaded rod have shown that they can compete  
23 successfully when all suppliers to the market are  
24 playing by the same rules. However, they cannot  
25 withstand the impact of rapidly increasing imports

1 sold at dumped prices, often at prices below the  
2 domestic cost of materials. Without the timely  
3 application of the trade laws, this American industry  
4 may disappear beneath the flood of unfairly priced  
5 imports from China.

6 Mr. Carpenter, we look forward to presenting  
7 our witnesses at this conference and responding to  
8 your questions. Thank you very much.

9 MR. CARPENTER: Thank you, Mr. Waite.

10 Mr. McGrath, if you could come forward now,  
11 please?

12 MR. McGRATH: Good morning. My name is Matt  
13 McGrath of the firm of Barnes, Richardson & Colburn.  
14 I'm appearing today on behalf of Porteous Fastener  
15 Company, a master distributor of threaded rod and  
16 other fastener products into the United States.

17 Our witness will address a number of issues  
18 in further detail. We do not plan to present a fully  
19 comprehensive response to all the issues that will be  
20 discussed by Petitioners, but we feel there are a few  
21 key points that are critical for the Commission to  
22 consider and to take into account when you examine  
23 this case and when you report to the Commission.

24 What we'll hear, what we've seen in the  
25 petition and I'm sure what we'll hear today further,

1 is a typical formula. A manufacturing business is  
2 encountering an increased amount of import presence in  
3 the market, and therefore, one of the best ways to  
4 fight that is to produce a document that says China  
5 and remnant B and the antidumping process will swing  
6 into action.

7 But in this case timing is everything, as  
8 with many things in life. The prices for both the  
9 wire rod inputs that are used in making this product,  
10 both domestically and in China, and the prices for the  
11 subject merchandise itself has been rising  
12 dramatically, very dramatically. Current prices bear  
13 little resemblance to the pictures that Vulcan paints  
14 in the petition because basically that picture ended  
15 about November of last year.

16 You're stuck with a December 31 cutoff date  
17 because that's the way the law works, but the increase  
18 in Chinese steel costs over the last four and a half  
19 months has far outstripped the increase in U.S. steel  
20 costs so that while U.S. steel costs may have gone up  
21 20 to 30 percent, Chinese steel has doubled, in some  
22 cases tripled in the market. It is so difficult to  
23 get steel in sufficient quantity that prices have gone  
24 through the roof.

25 The current prices then for finished

1 threaded rod, as you can tell and verify from looking  
2 at Vulcan's own cost of goods sold, you'll find that  
3 current prices are reflective of a very different  
4 picture than what was in effect at the time that most  
5 of the information in this petition was assembled.

6 Little of this will find its way into the  
7 discussion because, as I said, the POI ends at the end  
8 of December and thus just even in this introduction  
9 you heard primarily many times I guess you heard the  
10 words in the POI, during the POI. Most of the  
11 criteria will have to be qualified by that observation  
12 since things have changed quite a bit.

13 Another critical issue that we'd like to  
14 discuss and look at a little more is the price and  
15 product selection. Vulcan is arguing that import  
16 prices have underpriced by I believe Mr. Waite said 15  
17 percent on average.

18 They are using the average unit value rather  
19 than actual import prices, which are much higher than  
20 average unit values from Census data, but Vulcan would  
21 have you focus entirely, as they did ask you to do in  
22 the questionnaire, on smaller diameter product which  
23 is more likely to account for smaller portions of the  
24 overall market.

25 Vulcan's higher priced, more competitive,

1 larger diameter product was not included -- it's  
2 hidden from view -- in the underpricing analysis that  
3 you had to put together for the preliminary, so it  
4 also won't show that in some cases certain product  
5 standards are well protected and are perhaps the  
6 exclusive preserve of domestic producers.

7 Finally, in a predictable effort to have the  
8 Commission consider this a commodity product -- it's  
9 all the same. There are no distinctions from one  
10 product to another. In making that argument that it's  
11 a purely priced-based commodity, Vulcan will not be  
12 discussing service aspects of the U.S. distributor  
13 market, which our client will discuss here today,  
14 because the Petitioner is a manufacturer and  
15 approaches the market like a manufacturer rather than  
16 placing the customer demand ahead of manufacturing  
17 considerations.

18 They attempt to service the entire market  
19 from their headquarters in Alabama both for large and  
20 small volumes. Mr. Haggerty will discuss the  
21 importance of the service side of the distribution  
22 part of this business and why that carries a premium  
23 when it comes to the value of the product.

24 We'll discuss financial data in the  
25 confidential submission, but there are additional

1 points there that we believe, combined with those that  
2 we'll present today, support a negative determination  
3 in this preliminary investigation. Thank you.

4 MR. CARPENTER: Thank you, Mr. McGrath.

5 Would the petitioning panel please come  
6 forward at this time?

7 MR. WAITE: Okay. I think we're sorted out  
8 now. Thank you again, Mr. Carpenter. Again, for the  
9 record my name is Fred Waite on behalf of the  
10 Petitioner in this investigation.

11 Our panel today consists of Bill Upton to my  
12 immediate right. Bill is the president of Vulcan  
13 Threaded Products. On my left is Alan Logan, who is  
14 vice president of operations at Vulcan. Next to Bill  
15 on his right is Dr. Patrick Magrath of Georgetown  
16 Economic Services, who needs no introduction in this  
17 forum.

18 Further on -- I don't know whether to Pat's  
19 right or ahead of Pat -- is Bill Buckner, who is  
20 Vulcan's national sales manager, and then finally next  
21 to Bill is my colleague, Kimberly Young, also of Vorys  
22 Sater.

23 Bill Upton will begin our presentation this  
24 morning, and he will be followed by the other  
25 witnesses.

1                   MR. UPTON: Good morning. My name is Bill  
2 Upton, and I am the president and co-founder of Vulcan  
3 Threaded Products, the Petitioner in this case.  
4 Vulcan Threaded Products is the nation's largest  
5 domestic manufacturer and supplier of low carbon  
6 threaded rod.

7                   The company was founded in 1978 in  
8 Birmingham, Alabama, and we've been a U.S.  
9 manufacturer of steel threaded rod since that time.  
10 From our headquarters facility in Pelham we serve  
11 customers throughout North America. We also maintain  
12 warehouses and sales representatives nationwide in  
13 order to meet the needs of our customers. We pride  
14 ourselves on providing quality products and prompt,  
15 responsive service.

16                   Vulcan Threaded Products is one of four  
17 product divisions all located in Pelham. Our other  
18 divisions are Vulcan Heat Treating, Vulcan Cold Finish  
19 and Vulcan Logistics.

20                   Our Heat Treating Division is a state-of-  
21 the-art facility that specializes in induction  
22 quenching and tempering of bars. Our Cold Finish  
23 Division began as a wire producer, but is now a  
24 producer of cold drawn bars in rounds, squares,  
25 hexagons and flats. Both of these divisions were

1 started in 1997.

2 Vulcan Logistics is our fourth product  
3 division. It is a hybrid third party logistics  
4 provider with a nationwide network of logistics  
5 professionals offering truckload and LTL services  
6 throughout North America since 2007.

7 Soon we will be opening Vulcan of Virginia  
8 in Virginia Beach. This division will provide us with  
9 a new distribution location from which to supply alloy  
10 and stainless threaded rod, studs, nuts and vent bolts  
11 of all types and specifications. This will be our  
12 first Vulcan location outside of Alabama. I want to  
13 emphasize that this facility will not manufacture  
14 steel threaded rod. Our business does not justify  
15 adding capacity at this time. We have plenty of  
16 unused capacity in Pelham to make this product.

17 Over the past three decades, Vulcan has  
18 built its reputation on our ability to provide a  
19 superior product and exceptional customer service.  
20 Vulcan's goal has always been to help our customers  
21 succeed, and we believe in doing whatever it takes to  
22 accomplish that goal.

23 The reason that we are all here today is to  
24 talk about our steel threaded rod business. Low  
25 carbon threaded rod is used primarily in commercial



1 construction. Demand for our products therefore is  
2 linked to the commercial construction market, which  
3 has been very strong for the past several years. Of  
4 course, this is in stark contrast to the residential  
5 housing market, which has tanked due to the recent  
6 mortgage crisis. Lucky for us, very little threaded  
7 rod is used in the residential.

8 Commercial construction has been doing well,  
9 and demand for threaded rod has actually increased  
10 since 2005. Unfortunately, the Chinese imports have  
11 been the primary beneficiaries of this strong demand,  
12 not the domestic threaded rod industry. The volume of  
13 imports of threaded rod from China has increased  
14 substantially over the last few years.

15 Historically accounting for less than five  
16 percent of the U.S. demand, imports from China began  
17 increasing dramatically in 2002. We estimate that by  
18 2005 imports from China had grown to more than 32  
19 million and that by the end of last year that it  
20 exploded to nearly 127 million. That's an increase of  
21 almost 300 percent.

22 This huge increase in the import levels and  
23 the unfair pricing for Chinese threaded rod products  
24 has had an extremely destructive impact on the U.S.  
25 industry. It's our understanding that some domestic

1 producers have left the business, including Rods of  
2 Indiana, which exited sometime in '07 and sold its  
3 threading machines. Other U.S. producers have had to  
4 shut down operations like Watson Metal Products  
5 Corporation in New Jersey. Watson's main threaded rod  
6 facility in Virginia was closed permanently in late  
7 2006.

8 Still other domestic producers have  
9 decreased their U.S. production, and at the same time  
10 they've begun importing or increased their imports of  
11 threaded rod from China. This last group includes  
12 most of the other remaining U.S. producers of threaded  
13 rod, including Threaded Rod Company of Indianapolis;  
14 Bay Standard Manufacturing in Brentwood, California;  
15 Watson Metal Products in Kenilworth, New Jersey;  
16 Interstate Fittings of Dallas, Texas; Lancaster  
17 Threaded Rod Products of Lancaster, Pennsylvania; and  
18 All Ohio Threaded Rod of Cleveland, Ohio.

19 Vulcan has been in contact with several of  
20 these companies since filing our petition, and they've  
21 expressed support for the case. Apparently many would  
22 like to stop being distributors of Chinese products  
23 and go back to being producers of threaded rod in the  
24 United States.

25 We've heard through industry sources that

1 some threaded rod from India has been imported for the  
2 U.S. market. However, the volume must be small and  
3 the pricing higher than China because we have no  
4 direct knowledge of Indian threaded rod in the market.  
5 Other than India, we are unaware of imports of  
6 threaded rod from any other country.

7 Threaded rod from China has been the one and  
8 only import problem for the U.S. industry, and the  
9 problem has only been getting worse. Last year,  
10 Vulcan actually imported some threaded rod from China.  
11 We made this decision for two reasons:

12 One was because we wanted to evaluate the  
13 Chinese product for ourselves and to see whether there  
14 were any quality differences. I can tell you the  
15 threaded rod from China is not of a higher or better  
16 quality. In fact, we still have some of that material  
17 sitting outside our warehouse.

18 The second reason we decided to import some  
19 threaded rod from China was to help one of our  
20 customers to compete with the Chinese imports. The  
21 prices offered for Chinese material are often below  
22 our cost of materials. Other than the shipment that  
23 we brought last year, we have not imported any other  
24 threaded rod from China, and we don't have any plans  
25 to import any more.

1           We're a domestic producer of threaded rod,  
2           and we want to manufacture the products that we sell  
3           right here in the United States. If the Chinese  
4           product was fairly priced rather than dumped, we would  
5           not be losing sales, and we would not be forced to  
6           drop our prices to try to compete.

7           The effect of Chinese imports on our  
8           company's operations has been terrible. Since the  
9           beginning of 2005, Vulcan Threaded Products has  
10          experienced declines across the board in our  
11          production levels, in our sales volumes and of course  
12          in our sales values. Our capacity utilization has  
13          dropped. We also have declining employment in our  
14          Threaded Rod Division.

15          All of these negative developments for our  
16          company are due to the dramatic increase in the volume  
17          of Chinese imports and the dramatically low level of  
18          their prices. Between 2005 and 2007, our production  
19          fell by 11 percent. We could not let this trend  
20          continue so we filed this case to force the Chinese to  
21          price their products fairly.

22          We have been producing threaded rod in  
23          Alabama for 30 years, and with your help we plan to  
24          produce in Alabama for at least another 30 years.

25          I look forward to responding to any

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1 questions that you may have. Thank you.

2 MR. LOGAN: Good morning. My name is Alan  
3 Logan. I'm the vice president of operations for  
4 Vulcan Threaded Products in Pelham, Alabama. I've  
5 been employed by Vulcan since 1985, and I've worked in  
6 threaded rod sales and operations for over 20 years.

7 At Vulcan Threaded Products we produce and  
8 inventory threaded rod in a wide variety of materials,  
9 threads and finishes. We also produce and stock a  
10 large selection of anchor bolts, U bolts, turned and  
11 bent I bolts. Our daily production includes threaded  
12 products such as double end, single end and fully  
13 threaded studs.

14 I've brought with me today some samples of  
15 low carbon steel threaded rod, which is the subject of  
16 our petition. We have some samples of the following  
17 products that we'd like to pass around just so you'll  
18 see what we're talking about.

19 This is a three-eighths inch diameter zinc  
20 plated fully threaded rod, and this product represents  
21 the largest portion of the volume in our industry.  
22 This is a quarter inch zinc plated fully threaded rod,  
23 and this is a five-eighths inch hot dipped galvanized  
24 fully threaded rod. I'd like to pass those around.

25 These are all low carbon steel products, and

1 they also represent the three pricing products that we  
2 recommended for your investigation. We call them  
3 fully threaded because the threads run along the full  
4 length of the product. Other common diameters are  
5 three-quarter and half inch. Vulcan produces  
6 diameters under one-fourth of an inch, which are  
7 called machine screw sizes, up to two and one-half  
8 inches in diameter. The Chinese offerings usually do  
9 not cover the full range.

10 The three-eighths inch product accounts for  
11 approximately 60 percent of U.S. market in low carbon.  
12 While you pass those along, let me describe how the  
13 product is made and how it's used.

14 First, our primary raw material is wire rod.  
15 We buy low carbon grades between 1006 and 1018 to  
16 produce our products. For some larger diameter  
17 products we use bar rather than wire rod as our input,  
18 but the production process is the same either way.

19 We begin by descaling the wire rod to remove  
20 the surface scale and then cold draw the rod,  
21 straighten it and cut it to length. Cold drawing and  
22 straightening the wire rod ensures that is round,  
23 properly sized in terms of the desired diameter and  
24 capable of being fed through the threading machines.

25 Next the steel is fed through the threading

1 machine, which forms the threaded grooves along the  
2 length. We use a process known as thread rolling,  
3 which pushes the steel out of the valleys and into the  
4 peaks forming the threaded groove. This process does  
5 not involve cutting the steel, so there's no scrap or  
6 waste. When describing thread rolling I also tell  
7 people it's like squeezing dough through your fingers.  
8 Some of the material goes down, other is squeezed up,  
9 and that's how the threads are formed.

10 Finally, the threaded rod is either coated  
11 with a plain oil finish in the threading process or it  
12 is galvanized using zinc plating or hot dipped  
13 galvanizing. Vulcan does not have its own zinc line.  
14 Instead we outsource this function to two companies  
15 that provide zinc plating and galvanizing services.

16 Now that you know how the product is made, I  
17 would like to talk about some of the common uses of  
18 the product. Low carbon threaded rod is used  
19 primarily in commercial construction. Very little is  
20 used in residential construction. The most common  
21 applications for the product are to suspend electrical  
22 conduit, pipes for plumbing, HVAC ductwork and  
23 sprinkler systems for fire protection.

24 In warehouses, manufacturing plants and  
25 other buildings with exposed ceilings you often see

1 threaded rod used in these ways. Normally one end of  
2 the threaded rod is fastened to the ceiling and the  
3 other end is fastened to the support that is holding  
4 the pipes or ductwork or sprinkler system.

5 Do they have the pictures? Okay. It's  
6 pretty interesting. Our lawyers took these pictures  
7 in the stairwell of their building. The first picture  
8 you see is in a sprinkler application, the second  
9 picture you see is in a plumbing application, and the  
10 third one looks to be an HVAC application. As you can  
11 see, the threaded rod is used to suspend the material  
12 they're working with.

13 Fully threaded rod, that is rod which is  
14 threaded along its full length, is a very versatile  
15 product because it can be purchased in any length,  
16 and, because it is made from low carbon steel, it can  
17 be cut on site to the required length for the specific  
18 application.

19 For example, if a building has a sloping  
20 roof a contractor may need to cut threaded rod to  
21 different lengths to ensure that whatever is being  
22 suspended is level. The ability to cut to length on  
23 site is one of the great advantages of low carbon  
24 steel.

25 A threaded rod made from high carbon or



1 stainless steel is much more difficult to cut and can  
2 damage the contractor's cutting blades. Carbon steel  
3 is also more flexible than high carbon, alloy or  
4 stainless material and can be bent in some  
5 applications.

6 Low carbon threaded rod also is used for  
7 structural tie-downs in earthquake and hurricane  
8 restraint systems for roofing. It's also used as  
9 headless screws in general fastener applications and  
10 for bolting together pipe joints in the waterworks  
11 industry. The product is also used for basic  
12 industrial repairs. Again, the ability to cut the  
13 product to any length on site makes it very versatile  
14 for many such applications.

15 I mentioned earlier the terms fully  
16 threaded, double end threaded and single end threaded.  
17 I have already explained what fully threaded rod is.  
18 Single ends and double ends, which are excluded from  
19 the scope of this investigation, refer to a threaded  
20 rod product which are threaded on one or both ends,  
21 but not in the middle.

22 These products are usually ordered for a  
23 specific application where the customer knows the  
24 exact length that is required. They are not usually  
25 cut to length on the jobsite because the threads are

1       only located on one end or the other or both. These  
2       products account for a very small percentage of our  
3       threaded production, and they are also a very small  
4       portion of the overall threaded rod market in the  
5       United States.

6               I've also used the term stud to describe  
7       threaded rod, and I noticed that the questionnaires we  
8       received from the ITC also used the term stud  
9       producer. Although the tariff classification for  
10      threaded rod uses the term stud in the production  
11      description, we in the industry refer to a stud as any  
12      threaded rod product that is just not a standard  
13      length.

14             Standard lengths are two feet, three feet,  
15      six feet, 10 feet and 12 feet. All other lengths are  
16      considered to be studs. Our antidumping petition  
17      against Chinese imports also covers fully threaded  
18      studs.

19             Threaded rod is sold almost exclusively  
20      through distributors in the United States. Vulcan  
21      sells all of its threaded rod products to distributor  
22      customers. There are several master distributors such  
23      as Porteous and Industrial Threaded Products that used  
24      to be customers of Vulcan and other domestic  
25      producers, but these companies gradually have become

1 importers of threaded rod from China. A master  
2 distributor is a distributor that sells primarily to  
3 other distributors.

4 As a result of the very low prices on  
5 Chinese threaded rod imports, Vulcan has lost some  
6 significant customers who are now buying 100 percent  
7 Chinese threaded rod. Their decision has nothing to  
8 do with product quality or availability. The only  
9 reason that Vulcan lost these accounts is because  
10 China has ridiculously low pricing.

11 As China has taken more and more market  
12 share, Vulcan has been forced to lower our selling  
13 prices to meet the Chinese price and to try to retain  
14 customers. As Chinese threaded rod has flooded into  
15 the U.S. market, we have kept some business, but only  
16 by dropping prices. This has drastically reduced our  
17 margins, and we cannot continue to do this and stay in  
18 business. In fact, we recorded a loss in our Threaded  
19 Rod Division in 2007 as a direct result of the impact  
20 that Chinese imports have had on our business and the  
21 market.

22 In our petition and questionnaire responses  
23 we provided data that shows the dramatic drop in our  
24 prices that occurred over the past three years. For  
25 example, for the three-eighths inch zinc plated

1 product, which is the majority of the U.S. market,  
2 Vulcan's prices declined by 11 percent between 2005  
3 and 2007. The price decline was even greater for the  
4 quarter inch zinc plated products, which fell by 15  
5 percent, and for the five-eighths inch hot dipped  
6 galvanized product, which fell by 18 percent.

7           You will hear next from our National Sales  
8 Manager, Bill Buckner, who will provide specific  
9 examples of sales where we had to reduce our price  
10 significantly in order to compete with the import  
11 pricing from China. Unfortunately, we've had lots of  
12 examples to choose from.

13           Thank you.

14           MR. BUCKNER: Good morning. My name is Bill  
15 Buckner. I'm the national sales manager of Vulcan  
16 Threaded Products, Inc., a position I've held for 12  
17 years. I've been involved in the marketing and sale  
18 of threaded rod products for over 19 years.

19           Bill and Alan have described the threaded  
20 rod products, Vulcan's threaded rod business and the  
21 devastating impact that imports from China have had on  
22 our threaded rod production and profit.

23           Because I market threaded rod products for  
24 Vulcan every day and I am in frequent contact with  
25 selling agents, customers and prospective customers, I

1 can describe specifically how importers and  
2 distributors aggressively market the Chinese product  
3 using pricing well below what we can profitably quote  
4 to take sales from us and to force us to sell at  
5 unprofitable levels.

6 Because threaded rod is a commodity product  
7 sold nationwide, low priced imports from China have  
8 reduced our business with longstanding customers, and  
9 in many cases Chinese imports have taken the entire  
10 account.

11 We thought the best way to illustrate  
12 exactly how imports from China have harmed us is to  
13 provide at this hearing some examples of our actual  
14 tracking of sales to customers and how imports from  
15 China have forced us to reduce our prices to our  
16 threaded rod business. In many cases even that has  
17 not worked, with customers ordering less and less from  
18 us and even ceasing to do business with us altogether.

19 Please refer to the handouts that we have  
20 prepared and distributed to you. These are actual  
21 histories of our sales of specific products to  
22 specific customers with the names of those customers  
23 and other identifying information removed. The full  
24 version of these documents are included in our  
25 petition.

1                   I am told by our attorneys and consultants  
2                   that our sales tracking system is unusual in terms of  
3                   its specificity and should be of interest to the  
4                   Commission. We thought that the actual sales  
5                   summaries were the best way of illustrating how the  
6                   Chinese imports have impacted the volume and prices of  
7                   our sales in the U.S. market.

8                   Although we submitted the records of eight  
9                   customers in our petition, I am going to discuss just  
10                  two of those examples here. However, I do want to  
11                  emphasize that these two examples are representative  
12                  of the impact low priced Chinese impacts have had on  
13                  our business.

14                  The price reduction and volume losses shown  
15                  for the three-eighths inch diameter product are  
16                  replicated for quarter inch, half inch, zinc plated,  
17                  hot dipped and plain oil finished across almost all of  
18                  the various diameters, rod length and finishes and for  
19                  the approximately 1,200 customers to whom we sell  
20                  steel threaded rod.

21                  The first example at pages 1 to 3 of the  
22                  handout shows Vulcan's sales to a customer that used  
23                  to be a significant account. We shipped threaded rod  
24                  to two primary distribution centers for this customer,  
25                  as well as branches around the country. The product

1 being tracked here is three-eighths inch diameter zinc  
2 plated threaded rod. This is one of the single  
3 highest volume specifications sold to this customer,  
4 but only one of approximately 45 steel threaded  
5 products we sell to them.

6 This customer first started using Chinese  
7 prices as leverage to get us to reduce our prices in  
8 late 2006. The sales sheets show that our prices on  
9 the three-eighths inch diameter product ranged from  
10 \$16.55 per hundred feet to \$16.90 per hundred feet  
11 with a few low volume rush shipments at higher prices  
12 until January 2007 when the price abruptly dropped to  
13 \$14.10 per hundred feet.

14 The reason for the sudden drop was that the  
15 customer demanded that we come down to the \$14 per  
16 hundred foot price to meet Chinese import competition.  
17 Then, as you can see in the summary sheet, we had to  
18 drop our price even further, \$11.75 to \$11.95 per  
19 hundred feet, to meet new demands by the customer that  
20 we meet even lower Chinese import prices. What is  
21 even worse is that this drastic price cutting was in  
22 vain. Despite our price concession, Vulcan has been  
23 demoted to a secondary vendor by this customer.

24 Our volume of sales to this customer even at  
25 the lowest prices has become less and less. Despite

1 dropping our price by approximately 29 percent, our  
2 total shipments to this customer declined by 24  
3 percent from 3.7 million pounds in 2005 to 2.8 million  
4 pounds in 2007.

5           It seems that the more we took off the price  
6 the less they ordered from us. We could not keep up  
7 with the Chinese price offers, which were consistently  
8 lower than ours and seemed to be continuously  
9 dropping. Basically for the three-eighths inch  
10 product we can make a sale to this customer only if  
11 the boat from China doesn't dock on time.

12           The second example I've shown you, Customer  
13 2, is also for three-eighths inch zinc plated rod in  
14 100 foot lengths. This specification is usually the  
15 most popular specification ordered by steel threaded  
16 rod customers. For this customer, unfortunately, the  
17 switch to Chinese imports was even more abrupt.

18           As our data shows, the business on this  
19 product for Customer 2 was lost totally in the third  
20 quarter of 2005. We had no sales of this high volume  
21 product to this customer at all in 2006 despite our  
22 continuing to sell other threaded rod products to  
23 them. Beginning in 2007, import prices from China  
24 were at an impossible to match \$10.95 per hundred  
25 feet.



1           I, along with one of the inside sales  
2 people, personally handled this account during this  
3 negotiation, and I personally had to swallow that  
4 price. We did manage to regain business with this  
5 customer, but only by dropping our price from \$17.05  
6 to \$14 per hundred feet, a drop of 18 percent, and by  
7 allowing them to purchase less than a full truckload.

8           In general, and as this customer is an  
9 example, Vulcan may keep and/or regain the business  
10 with a customer, but only if we agree to drastic and  
11 unprofitable price concessions. In fact, with this  
12 last customer Vulcan's total shipments increased from  
13 2005 to 2007, but our prices on all products declined  
14 by at least 17 percent despite increases in raw  
15 materials and other costs.

16           Given the internet and the national presence  
17 of importer distributors like Porteous and Heads and  
18 Threads, the Chinese imports don't necessarily need to  
19 make a sale to drive down our prices and hence our  
20 profitability.

21           To reiterate, we have been forced to come  
22 down in our prices not only on popular specifications  
23 like three-eighths inch zinc plated, but across all  
24 diameters, length and finishes as well, as our  
25 petition exhibits show.

1                   That concludes my testimony. I'll be  
2 pleased to answer questions.

3                   MR. MAGRATH: Good morning, members of the  
4 Commission staff, ladies and gentlemen. My name is  
5 Patrick Magrath, Georgetown Economic Services. I'm  
6 here today on behalf of Vulcan Threaded Products,  
7 producers of threaded rod and the Petitioner in this  
8 case.

9                   Vulcan is the lone Petitioner in this case  
10 because Vulcan is the only U.S. producer still  
11 manufacturing steel threaded rod in quantities of any  
12 significance in the U.S. market. It is the survivor  
13 of an American industry that had several significant  
14 producers only a few years ago at the beginning of the  
15 period.

16                   These former domestic competitors have  
17 either closed their doors and sold off their threaded  
18 rod manufacturing equipment or have had to cut their  
19 U.S. production back and begin importing themselves in  
20 a survival strategy to compete with other imports.

21                   Of course, Petitioner Vulcan's staff -- Mr.  
22 Upton, Mr. Buckner, Mr. Logan -- who are here today  
23 have no exact knowledge of the status of their  
24 domestic competitors or their fates; only that they  
25 seem to be less and less of a presence in the market

1 as China has become an overwhelming factor in the  
2 market, so the list of producers that we have provided  
3 in our petition and their trends over the period is  
4 only an estimate. Still, it is an estimate from the  
5 Vulcan folks who are in constant contact with the  
6 market and know their product as good as anyone.

7 Hopefully the companies listed below will  
8 respond to the ITC questionnaires, and I see that a  
9 couple already have, so that the Commission will have  
10 a full record of the extent of the devastation that  
11 has been visited on this industry by dumped imports  
12 from China.

13 But until then, our most knowledgeable  
14 observer in this industry, Mr. Upton, in a submission  
15 to the Department of Commerce on March 5 estimated  
16 that since the beginning of the period of  
17 investigation first U.S. producer Watson has had to  
18 curtail its production of STR severely, perhaps by as  
19 much as 80 percent. And of even more concern, it has  
20 closed one of its two manufacturing facilities in late  
21 2006. Mr. Upton thinks Watson is importing STR as a  
22 defensive measure.

23 Second, Mr. Upton states that Threaded Rod  
24 Company of Indianapolis, Indiana, has also severely  
25 cut back production of STR, its sales staff and its

1 production workers. Third, Bay Standard of Brentwood,  
2 California, has cut back production and has also  
3 turned to imports. In fact, imports now account for  
4 the bulk of its sales.

5 Fourth, Rods of Indiana, Butler, Indiana,  
6 stopped production of STR permanently and sold its  
7 manufacturing equipment. Fifth and finally, that  
8 aside from Vulcan there are no other U.S. companies  
9 today that can account for even 10 percent of apparent  
10 U.S. consumption.

11 Now, we repeated again Mr. Upton's market  
12 intelligence here in my injury testimony for two  
13 reasons. First, this sudden and severe contraction of  
14 what was a substantial U.S. industry employing  
15 hundreds of workers only a few years ago is the  
16 clearest and hopefully the most convincing proof we  
17 can present to the Commission of the massive injury  
18 suffered, an injury that far exceeds what Vulcan has  
19 to prove in this preliminary phase "to a reasonable  
20 indication that an industry is materially injured or  
21 threatened with injury."

22 Second is that the database the Commission  
23 will have to examine in this preliminary phase, which  
24 is in essence just Vulcan's data and maybe one, maybe  
25 two others, is the best case scenario that you will

1 find of this industry.

2 As bad as the level and trends in the data  
3 are that I am going to describe in my testimony, it  
4 would be far worse if the dead could rise up and fill  
5 out their ITC questionnaires completely as to what  
6 happened to their sales, employees and business.

7 We respectfully request that the Commission  
8 keep at the forefront this survivor bias in the  
9 questionnaire process -- that companies who have gone  
10 bankrupt do not fill out ITC questionnaires or who  
11 have become importers are perhaps not interested in  
12 filling out ITC questionnaires -- when analyzing the  
13 levels and trends of the statutory factors that you  
14 will have on the record.

15 The issue of how to take into consideration  
16 the former U.S. producers is not the only  
17 methodological problem the staff faces in this case,  
18 however. Another significant hurdle is how to account  
19 for the volume of imports and apparent consumption.

20 Low carbon steel rods are immersed in a  
21 basket import category containing carbon and alloy  
22 steel studs, steel long products into which threads  
23 have been formed. Our estimates, which are based on  
24 U.S. production that has left the market and our  
25 estimate that the market has grown along with the

1 growth of commercial and office construction, threaded  
2 rods' major end market.

3 Our estimates show that subject imports from  
4 China, which by 2005 were already at a significant  
5 level of 32.3 million pounds, increased to 84.4  
6 million pounds in 2006 and 126.8 million pounds in  
7 2007. This estimate follows the growth of all  
8 commercial and office construction which we have from  
9 the Census Bureau, which was robust between 2005 and  
10 2007, as the economists would say.

11 It is important to note that the producers'  
12 and importers' questionnaires received by the staff so  
13 far generally agree with this notion that demand has  
14 been good. Thus, the implosion the industry has  
15 suffered over the period of investigation cannot be  
16 blamed on general demand conditions.

17 On a related point, the questionnaire  
18 responses we've seen to this point note, as they  
19 should, and Mr. Upton noted it in his testimony, that  
20 general demand for STR was not negatively impacted by  
21 the recent credit crisis and troubles in the  
22 residential housing sector. Threaded rod is just not  
23 used in residential housing, so the decline in  
24 industry trends can't be explained by that either.

25 Actually, Mr. Logan made a good point when

1 we were talking about this yesterday that if there is  
2 a continued crisis in residential housing that this  
3 will mean an increase in multifamily housing, which  
4 should be good for the market for threaded rod, a  
5 multifamily structure.

6 Of course, the Commission staff can access  
7 more complete import data than we as outside parties,  
8 so we're hopeful that accurate data on the exact level  
9 and trend in the subject imports will be developed.  
10 Again, however, Petitioner would respectfully like to  
11 point out that whatever numbers are arrived at by the  
12 staff for apparent consumption, as well as for  
13 imports, they will likely be too low if based on  
14 questionnaire responses.

15 Petitioner has identified 269 importers of  
16 steel threaded rod products from China. That's in our  
17 petition at Exhibit 8. We do not expect the staff to  
18 possess the superhuman effort or the superhuman luck  
19 to have 269 completed questionnaires returned in the  
20 next 10 days.

21 Actually, to this point the staff has gotten  
22 back more than I would have expected at this period to  
23 their credit, but we do hope that the staff and the  
24 Commission are cognizant of the fact that if they base  
25 imports on questionnaire data they are not capturing

1 the full quantity and value of imports and import  
2 penetration.

3 Indeed, no matter how high the number of ITC  
4 questionnaire response estimates, and once again our  
5 estimate is around 127 million pounds accounting for  
6 63.36 percent of apparent consumption in 2007. It is  
7 certain that it will not account for the actual total  
8 of U.S. imports from China. We can safely conclude,  
9 however, as should the ITC, that the volume of imports  
10 is significant.

11 The trend in industry pricing has also been  
12 unfavorable for the U.S. industry. Prices have gone  
13 down despite healthy demand in the industry's end  
14 markets. Although we are limited in what we can  
15 discuss at this conference due to confidentiality  
16 concerns, what U.S. pricing we do have shows pricing  
17 for the two zinc plated threaded rod products on which  
18 the Commission collected data declining from the very  
19 beginning of the POI in January-March 2005 straight  
20 through to the third quarter in 2007.

21 Product 3, the hot dipped product, declines  
22 irregularly, but falls by a much greater overall  
23 percentage through third quarter 2007. Again, these  
24 declining trends are puzzling given the estimated  
25 growth in demand for STR that occurred in the period



1 due to the boom in commercial construction.

2 The declines are explained by the growing  
3 presence of lower priced subject imported rod from  
4 China that depressed U.S. prices in a period in which  
5 U.S. producers could reasonably have been expected to  
6 be actually raising prices.

7 The declining trends stop at the end of the  
8 third quarter 2007 and increase in Quarter 4. These  
9 increases were forced by the increase in raw material  
10 costs -- carbon steel wire rod principally -- and  
11 indeed the increase in prices held down by subject  
12 import pricing was not sufficient to cover domestic  
13 industry cost. This price suppression was the reason  
14 industry profits collapsed in 2007, which your data  
15 will show.

16 The few questionnaires that have been made  
17 available at this early date also show consistent  
18 underselling by imports. In the confidential version  
19 of our postconference brief we of course can be much  
20 more specific on this issue.

21 In short as to the issue of the price effect  
22 of imports, Petitioners maintain that U.S. price  
23 declines in the context of an otherwise healthy market  
24 -- evidence of price depression and suppression,  
25 evidence of underselling -- are caused by subject

1 imports.

2           Finally, the multipronged impact of these  
3 rising volumes of dumped imports from China, their low  
4 prices and the price depression that they appear to  
5 have caused for U.S. producers all came home to roost  
6 on U.S. producers' operations over the period 2005-  
7 2007.

8           Again, the domestic threaded rod producers  
9 who have gone out of business and the facts known in  
10 the market concerning others' closures and shrinking  
11 sales, shrinking employment, these are the best  
12 evidence that Petitioners can put forth on the  
13 injurious impact of the subject imports.

14           At this early juncture we have only Vulcan's  
15 reported data to work with, what we have termed the  
16 best case scenario. This best case, however, is not a  
17 very good advertisement for the future of the domestic  
18 industry in its current status.

19           What you have heard from the Vulcan  
20 witnesses this morning is aptly reflected in the data  
21 that Vulcan has submitted to the Commission. Almost  
22 all of Petitioner Vulcan's production related  
23 indicators have declined, again we remind you against  
24 the backdrop of a healthy demand situation.

25           Production of threaded rod, shipments,

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(202) 628-4888

1 employment, production all declined. Capacity  
2 utilization declined to what we feel confident the ITC  
3 will consider inadequate levels. The financial  
4 information supplied by Vulcan followed this same  
5 declining trend and is highlighted, if you can call  
6 this highlighting, by a precipitous drop in profits in  
7 2007 to below break even levels.

8 We will be allowed to go into more specifics  
9 in our brief once again, and hopefully other U.S.  
10 producers will report and be analyzed as well. We  
11 would like to state for the record now, however, that  
12 in our opinion Vulcan's P&L data, and I'm sure for the  
13 rest of the industry, has shown injury in each year,  
14 2005, 2006 and 2007.

15 In the first two years of the period, Vulcan  
16 did record profits, but they are noticeably and  
17 inexplicably too low, considering that 2005 and 2006  
18 were boom years for commercial construction. U.S.  
19 Government data on commercial and office construction,  
20 which are reproduced in Exhibit 1 of our petition,  
21 shows such construction rose 14 percent from 2005 to  
22 2006 to the highest level since before 1993 when the  
23 data series started. This is again in Exhibit 1 of  
24 our petition.

25 Yet Vulcan's modest profit actually fell

1 marginally from 2005 to 2006. Then construction  
2 increased again by 15 percent in 2007, and Vulcan's  
3 profits plummeted to below break even levels. This  
4 otherwise inexplicable contradiction in trends serves  
5 to expose and highlight the injurious effect of  
6 subject imports in the market.

7           If such market factors result in below break  
8 even profits at the top of a construction cycle, where  
9 will Vulcan and other U.S. producers be if we are  
10 going into or if we are already in a true recession?  
11 Where will they be next year?

12           The question, the specter of a recession's  
13 impact on an industry already severely impacted by  
14 unfair imports, is a salient point to be added to the  
15 discussion and the factors indicating a significant  
16 threat of injury that imports from China pose in the  
17 immediate future.

18           In terms of threat, again the staff has our  
19 sympathies, but the data collection process again  
20 works against Petitioner. Exhibit 6 in our petition  
21 lists the producers/exporters of steel threaded rod in  
22 China.

23           Exhibit 6 shows that a vanilla internet  
24 search turned up 236 producer exporters. A peer  
25 search, also in Exhibit 6, caught another 180 producer

1 exporters in China for a grand total of 406 Chinese  
2 firms that produce and/or export steel threaded rod to  
3 the United States. Four hundred and six producers and  
4 exporters.

5           Try as it might, I don't think the staff  
6 will get 10 percent, which would be 40, by the  
7 deadline in this preliminary case, if ever. It might  
8 realistically shoot for five percent. It would  
9 constitute avoidance, though, if the staff were not  
10 supplied responses by the major Chinese producers  
11 whose websites tout their "leader of the industry"  
12 status, their export orientation and their modern  
13 facilities and recordkeeping.

14           Our petition attempts to focus the  
15 Commission's attention on these 25 or so leading  
16 Chinese producers, together with their data on export  
17 orientation, which is quite large for all of them,  
18 their capacities, which are large, and their sales  
19 volumes, large and growing.

20           Given the overwhelming emphasis on exports  
21 from these firms and their actual increasing exports  
22 to the U.S. market and finally their continued selling  
23 at prices which undercut Vulcan and other U.S.  
24 producers, it is completely obvious to us to conclude  
25 that Chinese producers who have caused so much damage

1 already to this domestic industry will continue to be  
2 a real and imminent threat to Vulcan and the other  
3 surviving American producers absent affirmative  
4 determinations by the ITC and the Commerce Department  
5 in this case.

6 That concludes my presentation, mercifully  
7 I'm sure Mr. McClure and others on the staff are  
8 thinking. Thank you for your consideration.

9 MR. WAITE: Mr. Carpenter, that concludes  
10 our presentation on behalf of Petitioner in this  
11 investigation.

12 MR. CARPENTER: Thank you very much, panel,  
13 for your testimony. We very much appreciate that.

14 We'll begin the staff questions with Mr.  
15 McClure.

16 MR. McCLURE: Jim McClure, Office of  
17 Investigations. Dr. Magrath, let's begin the  
18 beatings.

19 You raised an issue I was going to address,  
20 and that is consumption and how do we get there.  
21 You've used a proxy with the commercial construction  
22 data to establish a perceived level of consumption,  
23 and then you've backed out.

24 As you know, we generally build up, but as  
25 you noted there are a lot of importers. There is a

1 reasonable degree of concentration, but we certainly  
2 aren't going to or I doubt seriously that we will get  
3 to the full level of imports.

4           You've already somewhat articulated your  
5 view, but in the postconference submission, and this  
6 goes for Mr. McGrath on behalf of Porteous, as to in  
7 addition to the import data we receive via the  
8 questionnaires what's the best approach to  
9 establishing the level of imports?

10           Is it at a unit value for those who did not  
11 respond that we can look at firm by firm and try to  
12 establish those that came in? Obviously the way you  
13 approach this there's 40 million pounds out there that  
14 you decided was not subject product, using your  
15 methodology. What do you think is in that?

16           MR. MAGRATH: First of all, Mr. McClure,  
17 help is on the way, although it's not immediate. Mr.  
18 Waite and the industry, Vulcan, are going to file a  
19 484(f) request with the Commission before the deadline  
20 here to be able to break out the imports of low carbon  
21 threaded rod by July hopefully at the earliest.

22           This is a problem. This is the reason I  
23 brought it up in my testimony as well. Not having  
24 some big black book out there that shows what the  
25 consumption of low threaded rod is, we took the most

1 reasonable proxy for what would have driven  
2 consumption in the end market, which is commercial and  
3 office construction. We took the base of consumption  
4 that Vulcan has attested to from its market  
5 intelligence and from knowledge they have picked up in  
6 the industry, and we extrapolated from there as you  
7 described it.

8 I would just counsel against totally relying  
9 on the questionnaire responses, especially that you're  
10 going to get in this very short, compressed  
11 preliminary time period. I think that you might be  
12 better served to extrapolate from the import record  
13 that the Commission is privy to that outside parties  
14 do not.

15 As I said, I am actually pleasantly  
16 surprised by the producers' questionnaires you've  
17 gotten so far, gotten back. Perhaps you can work with  
18 the producers circa 2005 to estimate how much business  
19 they have lost.

20 I'd like to make one other point too if I  
21 may. We don't know what it is, but the imports in the  
22 basket category are distinctive in terms of the  
23 Chinese imports. I mean, not only of course is China  
24 the largest importer in that basket category, but  
25 their AUVs are substantially lower than any other



1 import source in that basket.

2 We know this is where threaded rod comes in.  
3 The AUVs are around what the FOB import prices would  
4 have been of the threaded rod that we see in the  
5 marketplace, so we think that that might be cleaner  
6 than a basket category might ordinarily be, but we  
7 will address that in our brief.

8 MR. McCLURE: Okay. Thank you. The thing  
9 is, you know, there's a possibility for an  
10 understatement of imports on the one side and going  
11 all the way to official stats to going way over, so in  
12 both cases, I'm looking for a happy medium.

13 With regard to nonsubjects, now initially in  
14 your petition, you zeroed out nonsubjects, believing  
15 that there wasn't much in the way, and the official  
16 stats show the average unit values from India, for  
17 instance, in '07 being at exactly twice the average  
18 unit value of China. However, as you're aware, should  
19 be aware from the materials that have been released to  
20 you, we have had reports of nonsubject product. It  
21 has been from India, and if you've looked at the  
22 values, you know what they are.

23 That said, do we have a Bratsk issue, you  
24 know, one of our favorite subjects? Is this a  
25 commodity product? Is India in play?

1           MR. MAGRATH: Can I turn this question over  
2 to the father of Bratsk, Mr. Waite?

3           MR. McCLURE: We won't hold that against  
4 him.

5           MR. WAITE: I was going to say, this is not  
6 necessarily the forum where I would promote that  
7 distinction, and thankfully you didn't mention Gerald  
8 Metals either, Pat.

9           On the Bratsk issue, clearly as we have  
10 explained, as the industry witnesses have explained,  
11 this is a commodity product in their judgment. It's  
12 sold on price. There are no quality differences  
13 either plus or minus. Whether you go domestic or  
14 foreign, a threaded rod is a threaded rod. A low  
15 carbon threaded rod is a low carbon threaded rod.

16           In terms of the Bratsk analysis, we will  
17 address this in a postconference brief, but as Mr.  
18 Carpenter knows I recently regaled him and others at a  
19 staff conference about the history of Bratsk and how  
20 it would not apply to the facts of this case.

21           Bratsk is a backward looking analysis that  
22 the Court of Appeals has explained in its decision,  
23 and as a backward looking analysis you would look at  
24 imports of the same merchandise from other sources  
25 because Bratsk holds not only a commodity product as

1 an indicator, which is the first threshold test I know  
2 that a number of Commissioners use, but it must also  
3 be available from other sources and it must be priced  
4 below the U.S. product.

5 I think when you look at the official import  
6 statistics, and again that's all we have available to  
7 us. You can look at the CBP Customs data that we do  
8 not have access to, but looking at the official import  
9 statistics it's very clear that, first of all, there  
10 are no other sources of the product in this harmonized  
11 tariff schedule that even begins to compare with the  
12 volume of China, so you have an issue of availability.

13 You have an issue of pricing because, as you  
14 pointed out earlier, Mr. McClure, the average unit  
15 price of the next lowest product or the next lowest  
16 country rather in that period was India, but it was  
17 twice the price average unit value of China, and of  
18 course the Indian average unit value is much higher  
19 than the domestic price of subject merchandise so  
20 Bratsk doesn't really apply here.

21 It's very easy I think for those who would  
22 argue a Bratsk analysis to say well, this is conceded.  
23 It's a commodity product. It's not rocket science to  
24 make this product, as well as these gentlemen make the  
25 product and the service they provide to their

1 customers. Anybody can make it, so therefore why  
2 isn't it a Bratsk issue?

3 Well, if anybody can make it why haven't  
4 they then? Why haven't you seen other countries  
5 shipping this product into the U.S. market? Why is it  
6 always China that ships in and ships in at  
7 accelerating volumes and at equally decelerating  
8 prices?

9 As I said, we will address the Bratsk issue  
10 further in our postconference brief because we know  
11 there are members of the Commission who look at this  
12 issue very carefully, and we will certainly attempt to  
13 address their concerns. Thank you.

14 MR. McCLURE: Thank you.

15 MR. UPTON: I've got one other thing. I'm  
16 Bill Upton.

17 MR. McCLURE: Yes.

18 MR. UPTON: Basically at all the trade shows  
19 and things that we attend and everything that we see  
20 we really only see China pushing this product.

21 India is not represented pushing threaded  
22 rod. They sell other things like nuts and bolts and  
23 things, but threaded rod is not their mainstay. I  
24 mean, we don't see them at all out there.

25 MR. McCLURE: Thank you, Mr. Upton. It's a

1 case this is just one of the hoops we have to jump  
2 through and an issue we have to address.

3 Thank you, Mr. Waite.

4 Mr. Logan, you said that the three-eighths  
5 inch or the three products that came around were the  
6 three that we asked for pricing information.

7 MR. LOGAN: Right.

8 MR. McCLURE: Okay. You said that the  
9 three-eighths inch accounts for 60 percent of --

10 MR. LOGAN: Of the market.

11 MR. McCLURE: -- sales by U.S. producers or  
12 just the market in general?

13 MR. LOGAN: We believe that three-eighths  
14 represents the vast majority of the market itself. It  
15 is our history.

16 We've been in this business for a long time.  
17 It's our history that three-eighths has always been  
18 the volume leader, whether it's three-eighths by three  
19 foot, six foot, 10 foot or 12 foot, six foot and 10  
20 foot being the most popular lengths of that particular  
21 diameter.

22 But three-eighths, for whatever reason, over  
23 time has developed in the market as kind of the go to  
24 base product for these type of applications where  
25 you're hanging things, and it is by far the single

1 diameter volume leader, and we believe that would be  
2 the case whether it's domestically produced or  
3 produced in China.

4 MR. McCLURE: And collectively the three  
5 pricing products would account for approximately what  
6 portion of the market?

7 MR. LOGAN: I would say somewhere between 60  
8 and 70 percent.

9 MR. McCLURE: The three collectively?

10 MR. LOGAN: The three collectively.

11 MR. McCLURE: With three-eighths taking the  
12 lion's share of the three?

13 MR. LOGAN: With the three-eighths taking  
14 the majority of that. Yes, sir. Other popular sizes  
15 are half inch and three-quarter.

16 MR. McCLURE: Okay.

17 MR. UPTON: One other thing I'd like to add  
18 -- I'm Bill Upton -- is, you know, what we're talking  
19 about in volume is we're talking about tonnage, pounds  
20 of that product, because sometimes when you look at  
21 other reports and things the quarter inch will look  
22 like a tremendous volume but it's because a lot of  
23 times, I mean, we sell this by the foot so you'll see  
24 huge numbers in a per foot type basis.

25 It's very light. I mean, three-eighths

1 weighs about three times as much as quarter inch.  
2 That's kind of what Alan is saying here. I would echo  
3 what he said.

4 I mean, I think it's probably 70, maybe even  
5 a little bit more, those three representative items,  
6 if you include both the zinc plated and the plain  
7 finish of all three of those.

8 MR. McCLURE: Okay. Thank you, Mr. Upton.

9 Dr. Magrath, getting back to the survivor  
10 bias, are there firms that were producing in '05 that  
11 you didn't list or haven't mentioned in your petition?  
12 I mean, if there are let me know immediately after.

13 MR. MAGRATH: Yes, sir. No. We listed all  
14 that we knew of now.

15 You know, the first case I did here many  
16 zillions of years ago was Construction Castings. It's  
17 a little bit like that where there are jobber firms  
18 out there. You have people like Mr. Upton, like  
19 Vulcan, that make threaded rod every day, and then you  
20 have like little fabrication shops that may make some  
21 occasionally if somebody calls for it.

22 But leaving those aside, the major producers  
23 were all listed by us in our petition and Mr. Upton's  
24 declaration to the Commerce Department of March 5.

25 MR. McCLURE: Mr. Upton, I couldn't help but

1 notice you seem to be shaking your head. In  
2 agreement?

3 MR. UPTON: Yes. In agreement, yes.

4 MR. McCLURE: Okay.

5 MR. UPTON: Yes. That's all I know of. I'm  
6 sorry. I was trying to think.

7 Surely we thought of all of them. I mean,  
8 we've been leading the marketplace all the time, and I  
9 can't imagine there being another one.

10 MR. McCLURE: Okay. I would point out that  
11 I was the investigator on that Construction Castings  
12 case, and I've tried to forget it. Anyway, I'm going  
13 to stop questioning now and pass it on to my  
14 colleagues. I may have more later.

15 MR. CARPENTER: Peter Sultan?

16 MR. SULTAN: Good morning. I have a number  
17 of questions about the nature of the product on which  
18 you've brought this case.

19 Some of these questions may seem trivial to  
20 you or the answers may seem self-evident. The reason  
21 I'm asking them is that we need to look for clear  
22 dividing lines in defining the domestic like product  
23 so I ask your forbearance if these questions seem  
24 unimportant or trivial.

25 First of all, you've explained to us what



1 studs are. Is there a difference between rod and bar,  
2 or are they names for the same product?

3 MR. LOGAN: Do you mean threaded rod and  
4 threaded bar?

5 MR. SULTAN: Yes.

6 MR. LOGAN: In the U.S. it's pretty much  
7 called threaded rod, but we have seen people on import  
8 documents call it threaded bar. In essence though  
9 it's the same thing.

10 It's a piece of steel whether it was started  
11 from wire rod or it was started from bar. Threads  
12 have been formed on it. We believe it's the same  
13 product.

14 MR. SULTAN: Okay. Thank you.

15 Turning to the products which you've  
16 excluded, you mention several products which meet ASTM  
17 specifications. Can you explain what those products  
18 are?

19 MR. LOGAN: Sure. I believe that we  
20 mentioned some ASTM -- B-7, B-16, A-193, B-8, B-8M.  
21 All of these are higher grades of steel that are  
22 driven by application during their purchase. Low  
23 carbon threaded rod is what I would consider the base  
24 product. It is the lowest price point, and it  
25 probably has the lowest application characteristics.

1           If you look at the pictures you can imagine  
2           that the weight carried by that one section of HVAC  
3           pipe is not very substantial, so it would not require  
4           say a B-7 or a B-16, which is an alloy bar that has  
5           been quenched and tempered, which obviously is more  
6           expensive, number one, from a raw material standpoint  
7           and more expensive to process because of the heat  
8           treating process.

9           Stainless is used in corrosive applications,  
10          so in applications that are in chemical or around  
11          chemical plants where you could have a corrosive  
12          atmosphere or obviously around the coast where you  
13          have a lot of salt type of corrosion then stainless  
14          may be required.

15          Obviously those are also higher priced and  
16          so therefore not a good substitute for low carbon  
17          threaded rod. Most people are not willing to pay a  
18          higher price when they don't need the extra attributes  
19          of the material.

20                 MR. SULTAN: Thank you.

21                 Turning now to a slightly different  
22          question, which is the definition of a domestic  
23          industry, in the petition, Mr. Waite, you stated that  
24          the domestic industry consists of all U.S. producers.

25                 Are we to infer that you've decided or that

1 you don't advocate excluding any domestic producers  
2 that are related parties that are importing from  
3 China?

4 MR. WAITE: At the time we prepared the  
5 petition, Mr. Sultan, we had only imperfect  
6 information about the relationships between domestic  
7 producers or former domestic producers and Chinese  
8 exporters and producers or the degree to which they  
9 have imported product and whether the importations  
10 have displaced their domestic production.

11 In other words, the character of the company  
12 has changed from a domestic producer to an importer  
13 distributor or whether, as in the case of some of the  
14 domestic producers, the importations were a survival  
15 technique in order to compete in certain products with  
16 imports, but continue to maintain production of other  
17 products, other subject products in the United States.

18 I'm afraid that the information that we had  
19 at the time of the petition, as I said, was imperfect.  
20 It's getting better now with the questionnaire  
21 responses so we can see what the relationships are and  
22 what the operational history of these companies has  
23 been.

24 I would ask your indulgence to address the  
25 issue of who's in the domestic industry in terms of

1 the affiliation standard for our postconference brief  
2 because now that we can look at the questionnaire  
3 responses I think we can give you a better answer on  
4 that.

5 MR. SULTAN: That would be helpful. Thank  
6 you.

7 Two further questions on the definition of  
8 the domestic industry, sort of peripheral questions.  
9 Several of you have mentioned that domestic producers  
10 have shut down and have sold their production  
11 equipment. To whom has it been sold? I mean, where  
12 has it gone?

13 MR. UPTON: Do you know?

14 MR. LOGAN: In our industry equipment tends  
15 to disappear into a black hole. A lot of times we  
16 don't know where it goes.

17 One of the inherent problems with putting  
18 together the case is because all these companies are  
19 privately held. There's not any public knowledge.

20 Obviously when a company shuts down they  
21 don't normally trumpet that. That's not something  
22 that they are excited about or encouraged about and so  
23 we have heard only rumors and innuendo of shutdowns,  
24 but have no idea where the equipment actually went.

25 MR. SULTAN: Okay. Mr. Logan, I think that

1 in describing the production process you mentioned  
2 that zinc plating and galvanizing is contracted out.

3 Could you comment on how significant that  
4 part of the production process is both in terms of  
5 adding value to the product and in terms of complexity  
6 of the operation?

7 MR. LOGAN: Sure. I'll be glad to take a  
8 shot at that. This is Mr. Logan, by the way.

9 First of all, the market demands what we  
10 sell. We don't push our product on the market. We  
11 service the market, and we service what the demand is.

12 The majority of our material has changed a  
13 little bit over the course of the last few years. We  
14 are seeing the amount of plain oil finished material  
15 go down and the amount of plated material increase  
16 somewhat. Hot dipped has gone up a little bit, but  
17 remains relatively stable.

18 Hot dipping is a process by which the bars  
19 are actually dipped in molten zinc and the zinc  
20 actually has a chemical bond, a physical bond with the  
21 material. There's actually a penetration so for  
22 galvanizing material, hot dipped galvanized material,  
23 that material is used in applications for corrosion  
24 resistance. Where stainless is not required it is  
25 used.

1                   And then on the zinc plating it is a process  
2 by which it is electro -- I can't think of the word.  
3 Electronically. That's the wrong word. Electrolysis.  
4 It is adhered to the rod, but it does not penetrate  
5 the rod. The zinc plating does not really add a lot  
6 of corrosive value. Actually what it does is it keeps  
7 the installer's hands clean as he installs the  
8 product.

9                   You would think that's kind of silly until  
10 you realize that like in the stairwell pictures that  
11 we showed you obviously you don't want somebody  
12 installing greasy threaded rod in an application where  
13 in a stairwell it's already been painted and they  
14 could possibly get grease and mess the application up.

15                   So as far as the process goes, we have  
16 chosen to work with two outside suppliers of this  
17 product. We consider them vital partners in our  
18 business, nonrelated companies, but we consider them  
19 very important to the success of our product, and they  
20 consider us a very important part of their company  
21 also.

22                   It is a process. The hot dipped process is  
23 a little bit more straightforward. The zinc process  
24 is a little bit more involved and involves more tanks  
25 and rinses and different processes in the chemical

1 application of this.

2           It is something that we have always done  
3 cost analysis on to decide whether to put in our own  
4 lines or not, and we've always come to the conclusion  
5 that they are more efficient running their lines.  
6 They have multiple lines. They don't just do our  
7 product. They have probably six or eight lines. They  
8 do multiple applications -- automotive and castings  
9 and things like that.

10           Because of the infrastructure they have, we  
11 feel like to duplicate that infrastructure and  
12 wastewater and EPA and all of the things that go along  
13 with this process would be more expensive for us to  
14 try to do it internally than it would be to take  
15 advantage of their huge capacity that they have, and  
16 that's why we have chosen to do it that way.

17           In terms of how much value is added to the  
18 final product by these two function stages, I can  
19 understand that you might want to talk about it in  
20 terms of numbers here, but it's perhaps an issue which  
21 would interest us.

22           MR. LOGAN: We would be glad to address that  
23 in the post brief.

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

25           MR. CARPENTER: Ms. Clark?

1 MS. CLARK: Good morning. My name is Kelly  
2 Clark from the Office of Economics. I would actually  
3 like to start with the pricing products, a few  
4 questions about them. All three are galvanized in  
5 some way, two are electroplated, and the one is the  
6 hot dipped. In terms of market share, how big are the  
7 galvanized products versus the products with just the  
8 oil finish or other finishes?

9 MR. LOGAN: You're looking at me, so guess  
10 I'll answer this. Alan Logan. I mentioned earlier  
11 that we felt like the market had changed a little bit  
12 over the past three or four years. Actually, we  
13 believe that the zinc portion of it -- I'll give you  
14 these rough numbers. Seven or eight years ago, we  
15 were about 60 percent zinc, about 30 percent plain,  
16 about 10 percent hot dipped. We believe the market is  
17 now 65 percent, maybe 70 percent zinc, with about 20  
18 percent plain, and galvanizing has -- galvanized  
19 product has stayed relatively stable. One reason we  
20 believe, obviously, that there is more zinc-plated  
21 penetration in the market is because of the low price  
22 of the Chinese imports and there is such a small  
23 differential between zinc and plain that more people  
24 bought the zinc.

25 MS. CLARK: And in terms of the products



1 that are coming in from China, are they also majority  
2 galvanized products or do you see some plain --

3 MR. LOGAN: The vast majority is zinc-plated  
4 and with the galvanized. We see very little plain  
5 product come in from overseas for whatever reason.

6 MS. CLARK: Okay. And I'm assuming that's  
7 why the pricing products were chosen --

8 MR. LOGAN: Right.

9 MS. CLARK: -- as they were. The other  
10 question about them that I had, in his opening  
11 statement, Mr. McGrath mentioned the larger diameter  
12 products and that they were not included as pricing  
13 products. And I just wanted you to comment on what he  
14 had to say so far, in terms of they do not include  
15 them, because Chinese imports are not competing there  
16 or what was the point?

17 MR. LOGAN: I'll be glad to answer that  
18 since I seem to be the go-to person on this. I'm just  
19 kidding. Basically, it's a lower volume. We chose  
20 3/8ths because it was the single highest volume  
21 diameter product. We chose quarter inch because it is  
22 -- while it may not be the second, it is a primary  
23 electrical used product and would be very common  
24 within the industry. And we chose hot dipped, the  
25 5/8ths hot dipped, which is a very popular hot dipped,

1 probably the most popular hot dipped size, because we  
2 have seen extreme pricing pressure on that product.  
3 The larger diameters that he is speaking of, we  
4 produce all the way to three inch, 2-1/2, three inch  
5 diameter and we are seeing pricing pressure across the  
6 board.

7 Now, obviously, if you can imagine a 2-1/2  
8 inch diameter, the applications where that is used is  
9 not very many. So, we don't see a whole lot of that.  
10 But, we see import all the way up to two inch. We see  
11 the same pricing pressure on the larger diameters, we  
12 do the small.

13 MS. CLARK: Okay. Sticking with the  
14 reported price data, it doesn't really depend on what  
15 company you're looking at, and I won't mention anyone  
16 specifically, obviously, but for both some producers  
17 and some importers, there seem to be some large  
18 fluctuations from quarter to quarter, in terms of the  
19 unit values for the specific price data that was  
20 reported for these pricing products. Are there any  
21 explanations that would jump to mind why there would  
22 be quarterly differences?

23 MR. MCGRATH: No, we haven't. We haven't  
24 had the time to really look at this, yet; but, of  
25 course, we will be over the weekend and perhaps we can

1 -- if this turns out to be the case when we examine  
2 all the questionnaires, we can comment on it. Ms.  
3 Clark, I did leave you a phone message and Mr. McClure  
4 a phone message about an irregularity that was present  
5 in the Vulcan questionnaire response that I assume you  
6 --

7 MS. CLARK: Yes.

8 MR. MCGRATH: -- guys are cognizant of, so -  
9 - but that's easily changed. So --

10 MS. CLARK: Right. And I took that into  
11 account and like I said, this is sort of across the  
12 board for different producers, different importers, so  
13 I thought I would ask just because it seemed to be  
14 more widespread than I would have thought. So, if you  
15 can take a look at that and see if there's anything I  
16 have to say. I'm not looking at typos. I'm looking  
17 at some real differences from quarter to quarter that  
18 don't seem to be related that much to volume.

19 I would also like to jump back to the non-  
20 subjects. I have heard your testimony and if you  
21 could, given what you've said, take a look at the  
22 reported pricing data for the imports from India and  
23 look at the volumes and the prices and explain a  
24 little bit more in your post-conference briefs how  
25 that jives with what you've said in testimony, I would

1 appreciate it.

2           You've mentioned the Census statistics for  
3 the non-residential construction and in terms of  
4 getting an idea about demand, I would just like to  
5 know is that sort of the best indicator to look at or  
6 are there other things that we should be looking at.  
7 In my research, I found statistics from the American  
8 Institute of Architects, from the National Association  
9 of Realtors, things like that. The Census stats, are  
10 those the best ones for us to look at, in terms of  
11 getting a general demand picture?

12           MR. MCGRATH: We thought so. We made that  
13 value judgment on the basis that government statistics  
14 are always the least -- you know, assumed to be the  
15 least biased, most objective statistical series. So,  
16 we found those in the Census Bureau and the total  
17 private and office and commercial construction seemed  
18 to be the way that the -- of the different categories  
19 the Census Department parsed out, construction being  
20 put in place. Those were the end markets that most  
21 closely fit. They are the end markets for threaded  
22 rod. What we, obviously, were being careful of was to  
23 not compare them to a series for single home  
24 residential construction, which it doesn't serve.

25           MS. CLARK: Okay. Sticking with public

1 sources, is there a public source, I'm thinking just  
2 from steel products, the CRU or the MPS for this  
3 product that we're looking at, is there something out  
4 there, in terms of selling prices that maybe isn't a  
5 public source, but a source, like I said, from the CRU  
6 or something similar?

7 MR. MCGRATH: We re not aware of any. This  
8 is a fastener. It would be in the fastener category  
9 and this is a small volume product relative to  
10 anything that MPS or CRU would be counting.

11 MS. CLARK: Okay.

12 MR. WAITE: And, Ms. Clark, Fred Waite. We,  
13 also, looked at the usual suspects, American Metal  
14 Market, Steel Orbis, Metal Vultan, and as Dr. McGrath  
15 pointed out, while some of those publications do have  
16 extensive pricing information on certain steel  
17 products, this is not one of them and there's no  
18 category of steel products that they report on that's  
19 even close to this product.

20 MS. CLARK: Okay. That's kind of what I  
21 found, as well. Based on the information from the  
22 petition, as well as the questionnaire responses, and  
23 your testimony, as well, there are numerous and varied  
24 end uses for this product. From your perspective, are  
25 there categories of end uses where the imports from

1 China are competing more so than in other end use  
2 categories?

3 MR. UPTON: I don't believe -- I'm Bill  
4 Upton. I don't believe so. I believe they're  
5 competing across the board in all areas.

6 MS. CLARK: I, also, had a question, Mr.  
7 Logan, you gave an example of why substitute products  
8 for the threaded rod are probably few. The example  
9 you gave was the fact that it's very easy to cut to  
10 length versus the stainless and the alloy that aren't.  
11 From the questionnaire responses, we've gotten a lot  
12 of, no, there are no substitute products and I  
13 understand what the cut to length. Are there other  
14 reasons why stainless or alloy or the other kinds of  
15 products of threaded rod cannot be substituted?

16 MR. LOGAN: It's probably only price.  
17 Everybody is talking to a contractor. He's primarily  
18 concerned about keeping his prices low. Nobody is  
19 willing to pay a premium at all for a product that  
20 they don't need to pay a premium for. So, I mean --  
21 and really the architect and the engineer drive the  
22 specifications of what product is used. If they want  
23 -- if it's in an atmosphere where they feel like they  
24 need stainless, they will tell the contractor that's  
25 what he needs to use. If they are in an application

1 that requires high strength, they will tell the  
2 contractor that's what they need to use. But,  
3 otherwise, there's really not a substitute for low  
4 carbon steel and the reason those others are not used  
5 in a low carbon application is primarily price.

6 MS. CLARK: Okay.

7 MR. MCGRATH: And, of course, going the  
8 other way, you're talking about in an atmosphere that  
9 would demand higher corrosion resistance like  
10 stainless material. To substitute low carbon would be  
11 something that you would get prosecuted for. It would  
12 make the structure substandard. It would risk failure  
13 and an engineer wouldn't do that either.

14 MS. CLARK: My last question, I was looking  
15 at the spreadsheet that you gave us of the declining  
16 volumes for the two specific customers and I saw the  
17 column and it happened to be blank throughout for the  
18 material surcharge. Do you put surcharges on this  
19 product ever?

20 MR. BUCKNER: My name is Bill Buckner. No,  
21 we do not have any material surcharges on any of our  
22 low carbon product. We do have other product that we  
23 manufacture that's outside the scope of this that we  
24 do potentially have material surcharge.

25 MS. CLARK: Okay. And just to follow-up on

1 that, in terms of your business practices, do you make  
2 price change announcements or is this done sort of on  
3 a customer-by-customer level?

4 MR. BUCKNER: Certainly, if we've had  
5 significant -- again, Bill Buckner -- significant  
6 reductions or increases in steel costs, things of that  
7 nature, we do put out letters. However, in our day-  
8 to-day business, typically what we're doing is we're -  
9 - whether it's an account we already have or an  
10 account that we are seeking to gain, we're putting out  
11 our price based on the things that we look at and  
12 oftentimes we get feedback from a customer as to what  
13 the competition's price is. And that often drives  
14 without notification with a price letter, anything  
15 like that, on an individual basis. That's what drives  
16 that price change.

17 MS. CLARK: Okay. Thank you. That's all I  
18 have.

19 MR. CARPENTER: Ms. Klir?

20 MS. KLIR: Hello. My name is Mary Klir. I  
21 just have one question for this public forum; but  
22 don't worry, you'll hear more from me later. It was  
23 stated earlier by Pat McGrath that Vulcan's  
24 profitability in 2005 and 2006 also reflects injury  
25 from Chinese imports. And I was wondering what was



1 the last year of sort of "normal" profitability before  
2 the effects of Chinese imports? I don't know who  
3 would feel comfortable answering that.

4 MR. WAITE: I think they would prefer to  
5 address that question in the post-conference brief --

6 MS. KLIR: Post-conference?

7 MR. WAITE: -- if that's alright, Ms. Klir.

8 MS. KLIR: Okay. That's fine.

9 MR. WAITE: Thank you.

10 MS. KLIR: And to follow-on to that, for  
11 post-conference, for whatever the answer turns out to  
12 be for that question, what the operating margin was in  
13 that particular year.

14 MR. WAITE: We will provide that  
15 information.

16 MS. KLIR: Thank you.

17 MR. CARPENTER: Ms. Taylor?

18 MS. TAYLOR: Hello. This is Karen Taylor  
19 from the Office of Industries. In your testimony, you  
20 stated that there are really no significant quality  
21 differences among manufacturers of this product. Can  
22 I infer from that, that there are no significant  
23 differences in manufacturing processes among the  
24 manufacturers, and I'm talking both the United States  
25 and China?

1                   MR. LOGAN: Alan Logan. As Ms. Taylor saw  
2 in our plant when she visited us, the base process  
3 that I described, called the regular length, is just  
4 the act of putting the steel through the set of dyes.  
5 It's pretty much universal and that's pretty much -- I  
6 visited China in November of 2006 and I saw several  
7 factories and everybody was using the same type of  
8 process where you have dyes and you take steel and you  
9 feel it through the dyes and what comes out the other  
10 side is thread rolled threaded rod. What I saw,  
11 though, in -- so that portion is the same, just the  
12 actual act of putting the threads on the material.  
13 What is a significant difference that I saw was the  
14 automation of getting material fed into the machine,  
15 the automation of material coming off of the machine,  
16 the automation of moving material around the plant,  
17 those were significantly more inefficient in China and  
18 significantly more manual in China than what we have  
19 in the United States. Based on what I saw, I believe  
20 we have the most efficient threaded rod manufacturing  
21 facility in the world, based on who we compete with  
22 and the market. And, obviously, we don't know  
23 everybody and we haven't seen everybody. But based on  
24 what we know here in the United States, we run a very  
25 efficient operation. But most of the efficiencies we

1 pick up -- and, also, we run our machines faster. We  
2 run dyes that allow us to run the machine faster,  
3 which they were not using in China. So, in that way,  
4 we're also more efficient. Bill, do you want to --

5 MR. UPTON: I'm Bill Upton. They just have  
6 -- they use a lot more labor to do the same thing we  
7 do. Our machines run much, much faster.

8 MS. TAYLOR: The labor is involved in  
9 feeding and offloading?

10 MR. UPTON: In moving the material around  
11 and the number of machines -- the automation that we  
12 have -- you know, as you saw at our plant, one person  
13 can be running multiple machines. So, you don't have  
14 to have one person sitting there feeding the machine  
15 and taking it off. And then we have the overhead  
16 cranes that move all the material to the machines and  
17 from the machines to the next stage. So, there's just  
18 an exponential number of more people to do the same  
19 process.

20 MS. TAYLOR: Thank you, very much. The  
21 other question I had was in terms of the product range  
22 and raw material. For the smaller diameter threaded  
23 rods, the raw material is a wire rod. For the larger  
24 diameters, you said it could be straight bar. What's  
25 the cutoff point, diameter-wise, for wire rod used as

1 a raw material?

2 MR. UPTON: I'm Bill Upton. Typically, it's  
3 about, in our facility, is somewhere around three-  
4 quarter. Sometimes, we opt to go on up to one inch  
5 and a quail and other times, you know, it will stop at  
6 5/8ths, depending on the rod and bar costs that we  
7 have available to us. So, we have an option in there.

8 MS. TAYLOR: All right. And that ends the  
9 questions that I have. Thank you, very much.

10 MR. CARPENTER: I just had a couple of  
11 questions related to some comments that counsel for  
12 Respondents made in its opening statement. One  
13 reference was to the fact that prices for carbon steel  
14 wire rod have increased rather dramatically just in  
15 the first couple of months of this year. First of  
16 all, is that your experience, have you seen that in  
17 the marketplace, too, that your raw material cost for  
18 wire rod have increased dramatically recently?

19 MR. UPTON: I'm Bill Upton and absolutely.  
20 Ours have increased dramatically here, also.

21 MR. CARPENTER: How does that compare with  
22 the prices for wire rod during the 2005 to 2007  
23 period? Were they generally increasing during that  
24 period, but not as fast a rate?

25 MR. UPTON: We didn't have anything that was

1 dramatic as what we've had this year, that's true.

2 But, you know, definitely, there's been a rise.

3 MR. LOGAN: I'd like to add one other thing.  
4 I would ask you guys to not equate a rise in price  
5 with profitability and margin on the product. Just  
6 because pricing from overseas is going up does not  
7 mean that pricing is going up fast enough for us to  
8 actually make a fair margin on the product. Our steel  
9 costs have gone up significantly this year, the  
10 fastest rise in my 20 years, so fast that we -- and  
11 it's not just the United States. It's worldwide.  
12 But, just because pricing is going up, doesn't mean  
13 that we can compete on a fair basis. And we are in a  
14 very volatile market, but the name of that game is  
15 margin and the ability to pass increases along in the  
16 marketplace over and above your operating costs. And  
17 we foresee difficulty down the road to continue from  
18 trying to compete with a Chinese product.

19 MR. CARPENTER: Thank you, Mr. Logan. Now,  
20 where my next question was going was just tying the  
21 fluctuations in raw materials products to your  
22 profitability and, particularly -- well, this is a  
23 question that's probably more appropriate for the  
24 brief. But, if you want to discuss it in more detail  
25 for the 2005 to 2007 period, explaining to what extent

1 you've been able to pass increases in raw material  
2 costs in terms of higher prices for your product and  
3 what effect that's had on profitability. But, then,  
4 also, for the first couple of months for 2008, if you  
5 have any particular information that you would like to  
6 provide to us, as to what the impact has been there,  
7 too, we would appreciate it.

8 MR. MCGRATH: Well, of course, this argues  
9 for continuing this case, to find out what will be the  
10 relationship between the rising prices of raw  
11 materials and the prices of the finished product going  
12 forward into 2008. The comment -- and I have two  
13 comments, in terms of your question, Mr. Carpenter.  
14 The first is that the increase in raw material costs  
15 for the Chinese in 2007 coincided with the worst year  
16 of Vulcan's profitability in the period of  
17 investigation. Those of us on the domestic side of  
18 things know that an increase -- a foreign increase in  
19 an input product or raw material does not transfer  
20 into a commensurate increase in the price of the  
21 finished product. And when it doesn't, it's called  
22 dumping, is the reason we're here today.

23 The second thing is in relation to the  
24 Bratsk issue, the escalating price of carbon rod is a  
25 fact not only in China, but in India and throughout

1 the global steel market and so is the availability,  
2 the growing scarcity of wire rod. It's a basic  
3 product that's used for all sorts of fabricated steel  
4 products. And in the present context, it may  
5 constitute a barrier to entry to other potential  
6 producers of threaded rod jumping into the market,  
7 should China have to retract from our market somewhat.  
8 Hopefully, they will, because of this case.

9 MS. CLARK: Thank you for those comments.  
10 Just one other question that was raised by counsel for  
11 the Respondents. As I understood it, he was  
12 indicating that the domestic industry provides a  
13 greater level of service to its customers than the  
14 importers of the Chinese product are able to provide.  
15 I was wondering what your comments are on that. Do  
16 you think that's the case? Let's start with that.

17 MR. BUCKNER: I certainly do not. I've been  
18 -- I'm sorry, Bill Buckner. I've been at Vulcan now  
19 for just over 19 years. From day one, we've always  
20 prided ourselves on service, not only from  
21 serviceability from having inventory, which has been  
22 by far one of our greatest attributes, but also how we  
23 service people with our inside sale staff -- those are  
24 the people I'm involved with day-to-day -- our outside  
25 independent representation that we have all over the

1 country, as well as independent warehouses that we  
2 have. We have independent reps. Seven of those have  
3 warehouses. We even have one particular rep in  
4 Washington, the State of Washington, that has our  
5 inventory. So, we service the entire country and  
6 those warehouses are meant there to service that quick  
7 need of a customer. But, we also ship in larger  
8 quantities, 10,000 pounds to full truckloads and we  
9 build truckloads going to different regions of the  
10 country. That's really how we've built a lot of our  
11 inside sales staff is we get an order and we  
12 immediately start calling customers, trying to fill up  
13 trucks. So, it's just an intricate part of what we  
14 do, is the serviceability. We're not just a  
15 manufacturing company that then uses some independent  
16 sales force to try to distribute our products out. It  
17 meshes together our manufacturing and our sales and  
18 serviceability.

19 MR. CARPENTER: But, Mr. Buckner, do you  
20 have any knowledge about the level of service that's  
21 provided by the Chinese importers or distributors of  
22 the Chinese product, whether they're able to provide  
23 the same level of service that your company provides  
24 to its customers? As I understood it, the statement  
25 was that you did provide a high level of service to



1 your customers, but the importers were unable to  
2 provide that same level of service to the customers.

3 MR. BUCKNER: Well, certainly, as a domestic  
4 producer, the thing that we go to our customers with  
5 is the lead times that we can turn the product around,  
6 again a full truckload to a customers, particularly if  
7 they're a one-day point from Alabama. We can often  
8 ship them next day. So, that is a serviceability  
9 point that we trump, that we exploit out there.

10 MR. LOGAN: The deal is also that a good bit  
11 of the material that's coming into this country is  
12 also coming in directly from China to a customer, not  
13 through an importer. And they certainly cannot claim  
14 better service, because they're having to order months  
15 in advance. They can get the same product from us,  
16 like Bill said, in a very short amount of time.

17 What I would also like to say, as a domestic  
18 manufacturer, that if we happen to be out of a  
19 product, we can tool -- we can redo our production and  
20 get that product out normally in a very short amount  
21 of time. We carry significant raw material  
22 inventories and if we were out of a product, if it  
23 takes us longer than a week to reproduce that product  
24 and get it to a customer, we're really aggravated,  
25 especially from a sales standpoint. We want to know

1 why it took production so long to replace that. No  
2 importer that is out of a product can guarantee a one-  
3 week replacement, if he does not have that material on  
4 the water, already coming in and we are able to  
5 respond to this market better than, we believe,  
6 anybody else in the country.

7 MR. CARPENTER: So what I am hearing is that  
8 it sounds like you do have some sort of an advantage,  
9 in terms of the service that you can provide to your  
10 customers over and above what the importers or  
11 distributors of the Chinese product can provide. And  
12 my next question is, does that give you an advantage,  
13 in terms of pricing? Does that translate into a price  
14 premium that you can charge for your product vis-a-vis  
15 the Chinese product? And if so, this is getting a  
16 little bit ahead, you may want to think about this  
17 further, but if that's the case, would you, in your  
18 post-hearing brief, like to attempt to quantify what  
19 that price premium might be?

20 MR. MCGRATH: We will do that, Mr.  
21 Carpenter. But, I would like to make the observation  
22 that your database, once everybody has got their  
23 questionnaire in and it's all been compiled, is going  
24 to show a rising level, significantly rising level of  
25 imports from China and market share from China and

1 consequently taken away from U.S. producers and  
2 declining U.S. producers' prices and profitability.  
3 So, that shows you, in the context of what purchasers  
4 really want to see, in terms of their purchasing  
5 variables what counts the most. Price, low price will  
6 trump superior service every time and the data you're  
7 going to see over this period is going to show that  
8 once again.

9 MR. CARPENTER: Your point is well taken.  
10 Thank you, Dr. McGrath. That's all the questions I  
11 had.

12 (Pause.)

13 MR. CARPENTER: Just one housekeeping  
14 matter. The information that you provided to us with  
15 the detailed data on orders by part, we can make that  
16 an attachment to the transcript, if you would like.

17 MR. WAITE: That would be fine, Mr.  
18 Carpenter. Thank you.

19 MR. CARPENTER: Just to confirm, I believe  
20 this is public information, isn't it?

21 MR. WAITE: It is public information, yes.

22 MR. CARPENTER: Okay, thank you. Mr.  
23 McClure?

24 MR. MCCLURE: Jim McClure, Office of  
25 Investigations. You mentioned the warehouses. If we

1 don't already have the locations of those warehouses,  
2 if you could provide them in the post-conference  
3 submission. We may have it and I just haven't come  
4 across it.

5 MR. WAITE: We will provide that information  
6 very clearly in our post-conference submission.

7 MR. MCCLURE: And one other thing, for  
8 everybody here, we will have an APO release this  
9 afternoon and we should have everything we have gotten  
10 to this point. The big Fed Ex drop occurs around  
11 11:00. I don't know that they're going to be many  
12 that will come in today, but there are a number that  
13 you folks don't have. So, we will have it released  
14 sometime this afternoon. So, lead attorneys, pay  
15 attention to your e-mails.

16 MR. WAITE: We live and die by e-mail, Mr.  
17 McClure. Thank you.

18 MR. CARPENTER: Thank you, Jim. Any other  
19 staff questions?

20 (No additional questions.)

21 MR. CARPENTER: Once again, I want to thank  
22 the panel, very much, for your presentation and your  
23 responses to our questions. That was very helpful.  
24 At this point, we'll take about a 10-minute recess and  
25 then resume with Respondent's presentation.

1 (Whereupon, a short recess was taken.)

2 MR. CARPENTER: Could we resume the  
3 conference now, please? Mr. McGrath, please proceed  
4 whenever you're ready.

5 MR. MCGRATH: Thank you, Mr. Chairman. I am  
6 Matt McGrath of Barnes, Richardson, and Colburn,  
7 appearing on behalf of Porteous Fastener. I would  
8 just like to introduce our witness. But before I do  
9 that, to clarify one point, I think you'll hear Mr.  
10 Haggerty discussing the issue that was discussed right  
11 to the very end of the last panel about the service  
12 considerations for importers and domestic producers  
13 and perhaps that didn't come across exactly as I  
14 wanted to at the very outset. So, I'll turn it over  
15 to Mr. Don Haggerty, who is a senior vice president  
16 for Porteous.

17 MR. HAGGERTY: Good morning. My name is Don  
18 Haggerty. I'm the Senior Vice President of Porteous  
19 Fastener Company, based out of the company's offices  
20 in Perth Amboy, New Jersey. I've been in my current  
21 position since October 2004. Prior to that, I was  
22 President of Bolts, Heads, and Threads International  
23 and Reynold's Fasteners, and I have a total of 37  
24 years experience in the industrial fastener business.

25 Porteous Fastener Company is a master

1 distributor of industrial and construction fasteners  
2 with headquarters in Carson, California, and  
3 warehouses produce in 16 locations throughout the  
4 United States. We supply more than 40,000 types and  
5 sizes of industrial fasteners and associated hardware  
6 to distributors to the construction, electrical,  
7 plumbing, manufacturing, and home hardware industries.  
8 We, also, sell steel threaded rod to those  
9 distributors, most of which finds its way to plumbing,  
10 electrical, HVAC, and the construction trades. In  
11 addition, uses for steel threaded rod have recently  
12 expanded. As business standards for residential  
13 housing have changed, steel threaded rod is now used  
14 in wood-frame home construction for hurricane and  
15 earthquake resistant systems.

16 I'm appearing today at the request of the  
17 Commission to consider some important factors in  
18 analyzing Vulcan's petition for antidumping duties  
19 against our Chinese suppliers. We do not believe that  
20 these imports have been a cause for any material  
21 injury to the Petitioner, and both the timing of the  
22 petition and some of the data have been selected only  
23 to enhance the appearance of injury, which distorts  
24 the current market reality.

25 Porteous has always prided itself on the

1 high level of service and diversity of the products it  
2 provides to its customers, which is unique in the U.S.  
3 market. This allows us to compete for customers on a  
4 basis other than price. I would like to highlight  
5 three major components of our commitment to service on  
6 which Porteous maintains an advantage over its  
7 competitors in the United States.

8 First is investment. Porteous has made a  
9 considerable investment in its coast-to-coast trucking  
10 network and 16 stocking warehouses. Literally, we  
11 warehouse millions of dollars of stock, including  
12 threaded rod. We have much more of this product in  
13 our warehouses than any other competitor or maker in  
14 the United States. This allows us to deliver  
15 virtually any product to anyplace in the country  
16 within a matter of hours, rather than days or weeks.  
17 Vulcan, by contrast, attempts to service the North  
18 American market out of its manufacturing headquarters  
19 in Alabama. This requires longer lead times,  
20 increased shipping time, higher shipping costs to  
21 individual purchasers. Their policies typically look  
22 for 10,000 pound shipments. A large percentage of our  
23 business is in the 500 to 1,000 pound shipments that  
24 are filled within hours to local markets, much of  
25 which are in the northwest, Colorado, Connecticut,

1 places that Vulcan can't service at that level.

2 Second is innovation. Threaded rod is very,  
3 very difficult to handle. The samples that were given  
4 to you are one-foot rod. Commonly, it's sold in 10-  
5 and 12-foot lengths and these lengths require special  
6 handling equipment. Therefore, Porteous developed a  
7 unique way of bundling this product and specialized  
8 forklift attachments, which we provide to our large  
9 customers. This results in a 50 percent reduction in  
10 our handling time.

11 Third, ease of doing business. While Vulcan  
12 sells threaded rod, Porteous sells a large variety of  
13 fastener products, which can be packaged together,  
14 allowing our customers to obtain all of their fastener  
15 needs at one time, in one place. In addition, we  
16 maintain an A2LA accredited laboratory, which we use  
17 to audit supplier quality and assist customers in  
18 solving any problems they may experience. Finally,  
19 our service commitment also includes color and bar-  
20 coded labeling on all packages, radio frequency  
21 controlled warehouses, EDI capability, and web  
22 ordering and services. I believe that these factors,  
23 rather than price, have contributed to our success and  
24 created value for our customers in the threaded rod  
25 market.



1           I would also like to say something about the  
2 timing of this investigation and the pricing data  
3 collected by the Commission. We believe that this  
4 petition was very specifically timed to prevent the  
5 Commission from considering the full extent of the  
6 very dramatic price increases for Chinese threaded rod  
7 since September 2007. In general, from August 2007 to  
8 March 2008, prices for all threaded rod items from  
9 Chinese factories to U.S. have increased by about 40  
10 percent. For the three specific products on which the  
11 Commission collected data and the questionnaires, fob  
12 prices from one of our primary Chinese factories are  
13 up, up 49.5 percent for product one, 47.6 percent for  
14 product two, and 38.9 percent for product three. I  
15 have been in this industry a long time. I have never  
16 seen price increases of such magnitude over such a  
17 brief period of time.

18           Prices have continued to rise with the  
19 increasing cost of raw material and we see this trend  
20 continuing for the foreseeable future. Price  
21 increases have been very dramatic for Vulcan, as well,  
22 but you might know that based on the period of the  
23 investigation. In fact, in a recent Vulcan letter to  
24 customers, they announced a 25 percent price increase,  
25 which will go into effect April 16<sup>th</sup> of this year.

1 These increases are not as great as the Chinese  
2 increases, but still quite significant. That increase  
3 was undoubtedly in the works well before this petition  
4 was filed and Vulcan is fully aware that any ad  
5 valorem dumping duty provisionally imposed in this  
6 case would be added to the import price level, which  
7 is far higher than the market prices just in the  
8 middle of last year. If the petition had been filed a  
9 few weeks later, early 2008 data would reflect the  
10 extraordinary Chinese price increases driven by steel  
11 cost pressures, much greater than those experienced by  
12 Vulcan or any other domestic manufacturer.

13 Finally, we believe that the pricing  
14 products in this questionnaire were very selectively  
15 chosen by the Petitioner to skew the Commission's view  
16 of the market. Porteous estimates that the market for  
17 steel threaded rod is approximately 50 percent zinc  
18 plated, 20 percent hot dipped, and 30 percent plain.  
19 However, Vulcan asked only that the Commission collect  
20 data on two zinc-coated products and one hot dipped  
21 product. They did not request any pricing data for  
22 plain products. Further, they ask the Commission to  
23 seek only pricing on the smaller diameter steel  
24 threaded rod, completely ignoring larger diameter  
25 products, where they are more likely to underprice the

1 import competition. And the larger sizes, three-  
2 quarter, inch-and-a-quarter plain threaded rod,  
3 Vulcan's pricing is much more competitive and is  
4 clearly against their interest to reveal this detail  
5 to the Commission. While it may be too late for the  
6 Commission to correct these deficiencies for the  
7 purpose of its preliminary determination, we strongly  
8 encourage you to modify or expand the number of  
9 products for which you request pricing data in your  
10 final investigation. That is the only way the  
11 Commission can truly gain a picture of the U.S. market  
12 for steel threaded rod.

13 I thank you for your time. I will be happy  
14 to answer any questions.

15 MR. MCGRATH: Matt McGrath again. I, also,  
16 failed to identify initially that my colleague,  
17 Stephen Brophy, also from Barnes, Richardson, is  
18 joining us today.

19 A couple of points I wanted to add to Mr.  
20 Haggerty's testimony. The price increase  
21 announcement, I don't know if you have this, it's just  
22 a press release. I'll be happy to give this to you,  
23 so you can see it. Basically, it just is a  
24 notification, dated March 20, last week, to the  
25 customers, to Vulcan's customers, saying due to the

1 continued increase in the price of steel and other  
2 production costs, we are announcing a price increase  
3 of approximately 25 percent for all low carbon  
4 products. Just for purposes of your record, we will  
5 leave that with you.

6 The other thing I wanted to observe here is  
7 the list of orders that you were given this morning by  
8 the Petitioners, showing a history of orders by  
9 certain customers for 3/8ths inch zinc-coated product,  
10 I just took a quick look at it. It is a very detailed  
11 listing of a record of sales prices to this customer,  
12 but it seems to follow a particular pattern that the  
13 Petitioners have focused on, during the course of the  
14 period of investigation that's being looked at. What  
15 I think was characterized as a trough in pricing that  
16 went from 2005 through 2006 back up to higher prices  
17 starting at the end of 2007, there seems to be some of  
18 that pattern apparent in these reports for these two  
19 customers. But, if you just take a look at the final  
20 price that appears, which ends here in December of  
21 2007, add the 25 percent that Vulcan has announced to  
22 the prices, you end up with figures -- for customer  
23 one, you end up increasing the price with the 25  
24 percent added, to about 1840, as compared to  
25 Porteous's current price of \$22. Same thing for

1 customer two, you add 25 percent, they end up at a  
2 level around \$21 compared to Porteous \$22 for the  
3 3/8th zinc plated.

4 I wanted to just add that point to highlight  
5 yet again the concern we have about the timing of how  
6 this is playing out. The data that was used as the  
7 basis for bringing the case, for arguing that there  
8 was below cost or below fair value pricing is data  
9 that was derived from quotations for sales made in  
10 2007, at a time when the prevailing prices for  
11 everyone, the domestic, for the Chinese, were much  
12 lower prices. And the pricing pattern that's been  
13 prevalent throughout have followed the trend in the  
14 cost of steel wire rod and steel wire. We will also  
15 provide, as part of our submission, the record that we  
16 have on Chinese steel prices for inputs into threaded  
17 rod. We were looking around for good quality  
18 reference source for the prices of steel in China and  
19 it is a difficult piece of information to obtain in an  
20 authoritative -- from an authoritative source. But,  
21 we do have a record, based on the company's dealings  
22 with Chinese mills and with the suppliers over the  
23 last three years, which is the period you would be  
24 looking at. So, you can get a feel of what the  
25 pricing pattern has been overlaid on top of the steel

1 cost input pattern and I think you'll find that  
2 there's very close tracking. The causal link between  
3 the movement of prices for threaded rod over that  
4 period of time, a causal connection to Chinese imports  
5 is not quite so stark as has been portrayed once you  
6 take a look at the same patterns, at the same period  
7 of time for the price -- the cost input of steel for  
8 both the domestic and for the Chinese product.

9 That was all we have to provide in our  
10 direct presentation. I would like to yield the floor  
11 now to Liz Levinson, to discuss her issues.

12 MS. LEVINSON: Thank you, Matt. I'm Liz  
13 Levinson. I'm with Garvey, Schubert Barer, and we  
14 represent two importers, Fastenal and Industrial  
15 Threaded Product, that I refer to as ITP. ITP has  
16 submitted its questionnaire response. Fastenal is  
17 about to. We're hoping to get it to you today. They  
18 asked me to come here today to convey their thoughts  
19 about this case and to give you some information,  
20 which is pertinent to their experience in the  
21 industry.

22 In particular, ITP is a company that tends  
23 to focus on California and other western states and  
24 there's a couple of reasons for that, which I will go  
25 into. But one trend that they have observed, that I

1 don't believe has been mentioned today, is that many  
2 engineers in the western United States are making  
3 requirements for specs that, specs for the threaded  
4 rod, that are not produced in China at all. In  
5 particular, many engineers are inserting into bids and  
6 proposals the need for the threaded rods to meet ASTM  
7 A-36 for low carbon steel rod. My client tells me  
8 that ASTM A-36 is a bar spec. It's not for fasteners,  
9 but engineers are more and more commonly putting it  
10 into their requirements for the product. The ASTM A-  
11 36 product is not produced in China at all and is  
12 produced by Vulcan and Vulcan is able to provide the  
13 product and certify it to the fact that it meets the  
14 specs.

15 In addition, one of the reasons that ITP is  
16 focused primarily in California and the western states  
17 is their freight costs are extremely high. They ship  
18 by truck and they say that the freight costs are  
19 nearly equivalent to the cost of producing the rod.  
20 So, it's very high. It almost doubles the price of  
21 the product.

22 We echo what Porteous and Matt McGrath had  
23 to say about the choice of products and the pricing  
24 data. We believe that it is distorted because of the  
25 inclusion of two zinc-plated products. And in

1 particular, my client mentioned that any trends that  
2 can be ascertained from the choice of these products  
3 probably would not also be reflected had the  
4 Commission chosen plain products. And the reason for  
5 that is the zinc coating is a very inexpensive process  
6 in China, yet an expensive process in the United  
7 States. So, the mere fact that the zinc is being  
8 added tends to increase the price in the United States  
9 at a greater rate than it would be increased for the  
10 Chinese product, if that's clear.

11 We have experienced the same increases in  
12 steel and raw materials that others have testified  
13 here today and both my clients are very eager to  
14 respond to your questions. Thank you.

15 MR. MCGRATH: I think that concludes our  
16 direct testimony. We're happy to respond to your  
17 questions.

18 MR. CARPENTER: Thank you, very much. We  
19 will begin the questions with Jim McClure.

20 MR. MCCLURE: Jim McClure, Office of  
21 Investigations. Mr. Haggerty, you said among the  
22 services provided, you stock far more than just the  
23 subject product, nuts, bolts, screws, whatever, and  
24 you package those together. What share of your total  
25 operation, just roughly, would threaded rod account



1 for?

2 MR. HAGGERTY: Something in the neighborhood  
3 of 10 percent of our volume.

4 MR. MCCLURE: Okay.

5 MS. LEVINSON: Mr. McClure, I don't mean to  
6 interrupt, I just --

7 MR. MCCLURE: Sure.

8 MS. LEVINSON: -- you know that the  
9 statistics are somewhat different for my clients.  
10 ITP, for example, 25 to 30 percent of their products  
11 are this product.

12 MR. MCCLURE: And Fastenal?

13 MS. LEVINSON: I'm sorry, I don't have the  
14 statistic for Fastenal, but I will get it.

15 MR. MCCLURE: Good. Just talking in with  
16 the service you provide, that Vulcan, perhaps, can't  
17 or doesn't just because you have warehouses around the  
18 country. They ship from Pelham. Are you saying that  
19 you're really not competing, because you can get it  
20 there quicker, that you can package all these other  
21 products, or --

22 MR. HAGGERTY: Don Haggerty. I compete with  
23 Vulcan on large orders to large distributors. A lot  
24 of our volume -- what we really do as a master  
25 distributor is fill next day orders, orders that

1       afternoon, in both rod and other products. I don't  
2       think Vulcan even sees the number of inquiries we see.  
3       We make shipments of often 200 to 1,000 pounds of rod  
4       and we do it throughout the United States. My sales  
5       of rod in Alabama are almost nonexistent. That is  
6       their territory. However, when they try to service  
7       the New York market, the Washington, D.C. market, I  
8       have the distinct advantage and I don't hold them as a  
9       competitor the way I would other competitors.

10               MR. MCCLURE: Your other competitors would  
11       be who, other importers?

12               MR. HAGGERTY: Importers or -- in the case  
13       in the northeast, it would be Watson and Heads and  
14       Threads and other importers. Out west, I would be  
15       ITP.

16               MR. MCCLURE: Are you purchasing any product  
17       from U.S. producers?

18               MR. HAGGERTY: Currently, no. At one time,  
19       we were a large customer of Vulcan.

20               MR. MCCLURE: Okay. We've talked a lot  
21       about the three pricing products. What portion of  
22       what you ship, just again rough estimate, is accounted  
23       for by those three pricing products we chose?

24               MR. HAGGERTY: Those exact three items?

25               MR. MCCLURE: Yes, just ballpark estimate.

1           MR. HAGGERTY: Less than 20 percent of our  
2 sales, maybe 15.

3           MR. MCCLURE: Okay. For right now, that  
4 will take care of my questions. Thank you.

5           MR. CARPENTER: Mr. Sultan?

6           MR. HAGGERTY: No, no, I just wanted to  
7 clarify something. Thank you. I'll clarify that. On  
8 the three items, the 3/8ths by 10 zinc rod is the only  
9 significant item. The other two are very minor items.

10          MR. MCCLURE: Okay, thank you.

11          MR. SULTAN: I have no questions.

12          MR. CARPENTER: Ms. Clark?

13          MS. CLARK: Hello. This is Kelly Clark from  
14 the Office of Economics. Ms. Levinson, if I could  
15 start with you. You mentioned the specific ASTM  
16 product that producers in China cannot produce.  
17 Perhaps I misunderstood, but I thought that the ASTM  
18 specified products were not part of the scope, that  
19 they were specifically left out. So, can you confirm  
20 that this product is indeed part of the scope of this  
21 case?

22          MS. LEVINSON: That's something I'll have to  
23 take a look at.

24          MS. CLARK: Please, because I know that in  
25 questionnaire responses, this issue came up, too. So,

1 I want to make sure that if there are products that  
2 are made to ASTM standards, if they're included or  
3 excluded, I would really like to get that straightened  
4 out.

5 MS. LEVINSON: I guess it would be -- your  
6 question is whether they're included in the scope and  
7 not in the like product definition; is that correct or  
8 both?

9 MS. CLARK: Correct.

10 MS. LEVINSON: Or both?

11 MS. CLARK: The scope I'm concerned with  
12 right now.

13 MS. LEVINSON: Okay, thank you.

14 MS. CLARK: Mr. Haggerty, this may be a  
15 question for the post-conference brief. You mentioned  
16 the vast range of products that you produce, that you  
17 can supply to customers, and that you often bundle  
18 these products with your sales of threaded rod. If  
19 there is any sort of price advantage for your  
20 customers, in terms of these bundling offers, if you  
21 can let us know, yes or no, that would be nice.

22 MR. HAGGERTY: What I want to stress on this  
23 is something that was mentioned where freight could be  
24 20, 30, 50, 80 percent of the cost, if you're shipping  
25 from Alabama to Portland, Oregon. The bundling is to

1 make weight. In our industry, what distributors want  
2 is a prepaid shipment. And I'll make local deliveries  
3 -- common freight terms in our industry are 1,500  
4 pounds prepaid and they get to include rod in making  
5 that up. So, I can ship 500 pounds of rod with other  
6 nuts and bolts and other items and get to a prepaid  
7 rate, where a manufacturer, such as Vulcan, typically,  
8 their prepaids are 10,000 pounds.

9 MS. CLARK: So the advantage is in the  
10 shipping costs and not in the price of the rod,  
11 itself?

12 MR. HAGGERTY: The overall value to the  
13 customer, which is the prepaid shipping, yes.

14 MS. CLARK: Okay.

15 MS. LEVINSON: Ms. Clark, before you ask  
16 your next question, I took a moment to look at the  
17 petition and the definition of the scope and there are  
18 certain ASTM specs that are excluded, but not the one  
19 that I mentioned, which is ASTM A-36.

20 MS. CLARK: Okay.

21 MS. LEVINSON: And that's at page eight of  
22 the petition.

23 MS. CLARK: Okay. Thank you for checking  
24 that. Mr. McGrath, you mentioned that you would  
25 supply us with Chinese wire rod price series and I

1 just wanted to confirm, is this from a published  
2 source or is this from Chinese producers that you're  
3 getting it?

4 MR. MCGRATH: This is information that is  
5 compiled by Porteous in discussions with producers.  
6 So, it's not from a published source, to the extent  
7 that -- it's not the same as, say, in a Metal Market  
8 published source. But, many of the publicly available  
9 sources about Chinese steel costs are somewhat  
10 anecdotal anyway. This is our personal experience,  
11 Porteous's experience in dealing with the suppliers,  
12 to find out what their costs are over the course of  
13 this entire period. And what we have is a series that  
14 -- essentially, it's not quarterly, but it's -- at the  
15 end of every other quarter, we have a basic Chinese  
16 steel rod cost that the threaded rod producers are  
17 experiencing. So, we will provide what we can. It's  
18 not a public source.

19 MS. CLARK: Right. Well, I just want to  
20 emphasize that generally when we do look at data  
21 sources, we do want them to be from the CRU or from  
22 American Metal Market or things like that and those  
23 are what we consider to be the reliable sources. So,  
24 just bear that in mind.

25 MR. MCGRATH: Thank you. We will check on

1 other sources, availability of other sources, as well  
2 --

3 MS. CLARK: Thank you.

4 MR. MCGRATH: -- and at least compare them  
5 to those that are available.

6 MS. CLARK: Thanks. In your comments about  
7 the chosen pricing products, I would like some sense  
8 of, in terms of both the larger diameter products, as  
9 well as the galvanized versus the plain oil finished,  
10 are there significant quantities of imports from China  
11 in these products that were not included as pricing  
12 products? Because, if I remember correctly, this  
13 morning, the Petitioner said that there was very  
14 little plain oil finished threaded rod coming in from  
15 China and that's why it was not chosen as a pricing  
16 product. So, if you could give me some more  
17 information, that would be helpful.

18 MR. HAGGERTY: Don Haggerty. Our record  
19 shows that about 30 percent of what we are bringing in  
20 is plain finish.

21 MS. CLARK: And what about the larger  
22 diameter sizes?

23 MR. HAGGERTY: I don't know a percentage off  
24 the top of my head, but 3/4, one inch, 1-1/4 are much  
25 more significant than quarter inch in a -- you know,

1 if you measure per pound not per linear foot. We sell  
2 it -- it's per pound. So, they are more significant  
3 than the quarter inch, for instance.

4 MR. MCGRATH: If I could add, just as an  
5 observation, I think the quarter inch product is  
6 likely to show, for any input source, you're likely to  
7 see a lower import pricing for the smaller sizes  
8 simply because the smaller diameter is going to  
9 involve more -- generally more labor content per unit,  
10 per pound, than a larger diameter product. It will be  
11 heavier weight, but it will have less labor content.  
12 So, normally, I think you're going to see that. But,  
13 the quantity of sales, the volume of sales of the  
14 smaller diameter product, I think, you heard the  
15 testimony this morning, it's not going to be as great  
16 as some of the standard sizes that are larger. So,  
17 you can pick a small diameter product and be more  
18 likely to come up with a lower import price just  
19 simply because of the higher labor content. But, that  
20 doesn't make it the most important point of  
21 competition between import and domestic.

22 MS. CLARK: Okay.

23 MS. LEVINSON: That echos the point that I  
24 wanted to make about the zinc, as well, that the labor  
25 in China for the zinc coated is much less expensive



1 than it is in the United States. So, you may see  
2 lower prices from China, but it's due to the zinc  
3 factor.

4 MS. CLARK: And, actually, now that you  
5 brought it up, since zinc is priced on the world  
6 markets, I guess I'm not understanding why it would be  
7 so much cheaper in China. Is it the way that it's --  
8 the production process or is it the material cost,  
9 itself?

10 MS. LEVINSON: It's the production process.

11 MS. CLARK: Okay. And you're saying that's  
12 more labor intensive?

13 MS. LEVINSON: Yes.

14 MS. CLARK: Okay.

15 MR. HAGGERTY: I just want to add one thing  
16 to that. The large factories in China do the wrong  
17 zincing. They don't subcontract it out like Vulcan  
18 does. So it's done in-house also.

19 MS. CLARK: Okay. Do you agree with the  
20 Petitioners that there are no significant quality  
21 differences between the U.S. produced and the imports  
22 from China of this product?

23 MR. HAGGERTY: Yes.

24 MS. CLARK: You agree with them?

25 MR. HAGGERTY: Yes.

1 MS. CLARK: Okay. Since 2005, have exchange  
2 rates played any role in the import levels from China?

3 MR. HAGGERTY: The dollar has weakened  
4 somewhat, and so yes, the Chinese prices particularly  
5 recently have gone up. Part of that is exchange.  
6 Part of it is they can sell it to Europe for a much  
7 higher price because of the dollar's weakness to the  
8 euro. So maybe not directly to the Chinese currency  
9 but indirectly there's been an impact.

10 MS. CLARK: Since I'm getting sort of an  
11 incomplete picture from the questionnaire responses so  
12 far, in your experience since 2005, has there been a  
13 time where there were questions about a sufficient  
14 supply of threaded rod in the U.S. market?

15 MR. HAGGERTY: Since 2005, I know of no  
16 significant shortages in the market -- no, if that's  
17 really what your question is.

18 MS. CLARK: Yes, thank you.

19 MR. MCGRATH: I think we would also agree  
20 with the characterization of the expansion and demand  
21 that has taken place over the period that's being  
22 looked at. I think the construction industry has  
23 continued to expand demand along with the expansion in  
24 imports.

25 The downturn in residential construction has

1 probably been offset by other increases. For the  
2 residential construction that's taking place, I know  
3 we've noticed an increase in certainly the use of the  
4 product for hurricane and earthproof-resident types of  
5 construction for the residential housing.

6 So where there is housing construction going  
7 on, there's new uses that have developed there for the  
8 product. But by far, the bigger demand for it over  
9 the last four years has been commercial construction.

10 MS. CLARK: My last question is about the  
11 non-subject imports. Can you give us any sense of how  
12 imports of threaded rod from India are competing in  
13 the U.S. market, in terms of, you know, are they in  
14 significant quantities; how does the quality compare  
15 with the U.S. product, as well as the product from  
16 China; and how they're priced in terms of both the  
17 U.S. product and the product from China?

18 MR. HAGGERTY: Don Haggerty -- the products  
19 coming out of India, the product itself is the same.  
20 What might be different about the product is the way  
21 it is packaged. India doesn't quite use the same  
22 quality of cardboard and sometimes wrap it in burlap.  
23 So there's a presentation issue with some of the  
24 Indian product.

25 There are limited sources in India. The

1 amount of availability is far less than China. If  
2 China were to disappear, there would be significant  
3 shortages. Finally, there's a third part to that.

4 MS. CLARK: Pricing.

5 MR. HAGGERTY: Pricing -- currently in the  
6 current market, as a ballpark average number, in  
7 today's market, India is probably 25 percent higher  
8 than China.

9 MS. CLARK: Great, thank you very much;  
10 that's all I have.

11 MR. MCGRATH: Could I just add one point on  
12 that? In looking at it in the context of a potential  
13 BRATSK analysis, as was raised this morning, probably  
14 we would find that India is not a sufficient supplier  
15 of a pricing level historically to have replaced the  
16 Chinese product.

17 That would be if we assume that we're  
18 dealing with a commodity product to start with; and  
19 I'm not sure that I want to concede that point that  
20 it's purely commodity.

21 There are some differences that might  
22 prevent you from doing the analysis. But that perhaps  
23 becomes a moot point. Because when you look at the  
24 history, the trade is probably not at a sufficient  
25 level to conclude that it would have been able to

1 replace, at the same price level, the Chinese product.

2 At one point, it was being sold at a lower  
3 price. It was at a more competitive level. But  
4 recently, it has not been.

5 MR. CARPENTER: Ms. Klir?

6 (No response.)

7 MR. CARPENTER: Ms. Taylor?

8 MS. TAYLOR: Thank you; Karen Taylor, Office  
9 of Industries -- would there be any other significant  
10 foreign sources of this product, other than China and  
11 perhaps India?

12 MR. HAGGERTY: Don Haggerty -- would there  
13 be? I'm sure with enough money, you might find one.  
14 But from an importer's point of view, no, there is no  
15 other large factory anywhere. But could you go to  
16 Australia with endless money and convince somebody?  
17 You probably could; but I don't know who or where.

18 MS. TAYLOR: All right, thank you -- I had  
19 asked the panel before about manufacturing differences  
20 between how this product is made in the United States  
21 and how it's made in China. Would you agree with how  
22 they described the manufacturing process in China?

23 MR. HAGGERTY: Don Haggerty -- there are two  
24 Chinas. There's the old China and there's the new  
25 China. If you were to go into a new Chinese factory

1 with a threaded rod, their description is very  
2 accurate. It is labor intensive. It is much slower.

3 If you were to go into the newest factories,  
4 the newest fastener and threaded rod factories, they  
5 are the most modern in the world. I've not been  
6 through Vulcan. I do not know what their speeds are  
7 like that. But I guarantee you, the modern factories  
8 in China, fastener factories, are the most modern in  
9 the world; and I would imagine their threaded rod  
10 systems production is very similar to Vulcan's.

11 MS. TAYLOR: All right, could you get me the  
12 names of those factories? Is that possible?

13 MR. HAGGERTY: That's possible.

14 MR. MCGRATH: We'll provide the names of the  
15 suppliers that we know of, that would be on the more  
16 modernized end of the spectrum.

17 MS. LEVINSON: We'll do the same for our  
18 suppliers.

19 MS. TAYLOR: All right, thank you; that's  
20 all the questions I have.

21 MR. CARPENTER: I have just a couple of  
22 requests for your brief. Mr. McGrath and Ms.  
23 Levinson, to follow up on what was said earlier, if  
24 you have any further thoughts about the commodity  
25 nature of this product, and also whether imports from

1 non-subject countries would be considered significant  
2 in this case and, therefore, whether BRATSK would  
3 apply in this case, we'd appreciate any further  
4 discussion on that.

5           Secondly, this is a similar request as to  
6 what Ms. Clark had already asked. But I was  
7 wondering, for 2007, if you could give us for each of  
8 your clients the percentage of your sales of the  
9 subject merchandise in 2007 that was plain, or plain  
10 or black, as opposed to galvanized, versus galvanized;  
11 and also, the percent of sales that were in diameters  
12 of three quarter inch or greater.

13           I would like to see that in terms of a  
14 percentage of sales value, as opposed to weight.  
15 Because then I'm concerned that once you get into the  
16 larger diameters, the weight can increase pretty  
17 dramatically. Or if it's easier, you can provide it  
18 in terms of linear feet, also. I would also ask  
19 Vulcan if you could provide that same information in  
20 your brief.

21           MR. HAGGERTY: We'll be happy to do that.

22           MR. MCGRATH: We will be happy to do that.  
23 We've gave them some estimates. But we'll break it  
24 down into what the actual percentages are, both by  
25 weight and value.

1 MR. CARPENTER: Thank you; Mr. McClure?

2 MR. MCCLURE: Jim McClure, Office of  
3 Investigations -- Mr. Haggerty, do you import anything  
4 from India?

5 MR. HAGGERTY: Yes, we import threaded rod  
6 from India.

7 MR. MCCLURE: Okay, one thing, you mentioned  
8 Watson in terms of competition and what not; and we've  
9 been talking about, if you send the rod out for the  
10 same process, Vulcan sends theirs out, and you send  
11 the Chinese and do theirs in-house. Do you know if  
12 Watson and other firms contract out, or do they do it  
13 themselves?

14 MR. HAGGERTY: I don't know how Watson does  
15 it. I've never been to their facility.

16 MR. MCCLURE: Okay, that's fine. For  
17 everybody here at the table, in the audience, we're as  
18 good as the data we get. If you haven't gotten your  
19 importer questionnaires, get them in. Please talk to  
20 your importers, and have them talk to their suppliers  
21 in China.

22 The importance of those foreign producer  
23 exporter questionnaires is critical. All they have to  
24 do is email me, and I will happily send them the  
25 electronic version. They can get them off of our



1 website. But again, as I say, we're as good as the  
2 information we get.

3 "The time for hesitating is through," to  
4 quote Jim Morrison. That's all I have.

5 MR. CARPENTER: Okay, thank you again,  
6 panel, very much for your testimony and for your  
7 responses to our questions. We'll take another brief  
8 break of about 10 minute to allow both sides to  
9 prepare their closing statements, and we'll begin with  
10 the Petitioners.

11 (Whereupon, a short recess was taken.)

12 MR. CARPENTER: Welcome back, Mr. Waite.

13 MR. WAITE: Thank you, Mr. Carpenter. I  
14 will be very brief in my closing remarks.

15 The U.S. industry which produces low carbon  
16 steel threaded rod has been devastated by imports from  
17 China. You've heard this morning from industry  
18 witnesses, and you will see in questionnaire responses  
19 from domestic producers, just how significant that  
20 adverse impact has been on the domestic industry.

21 We've shown that domestic production and  
22 sales have dropped dramatically, and that at least two  
23 manufacturing facilities in the United States ceased  
24 production during the POI.

25 As imports from China have captured an

1 increasing share of the U.S. market, domestic prices  
2 have fallen and fallen dramatically, because domestic  
3 producers are attempting to compete with those very  
4 low, unfair prices.

5 Make no mistake, price is what this case is  
6 all about, and that's what steel threaded rod is sold  
7 on the basis of. It's a commodity product. Customers  
8 base their sourcing decisions on who can offer the  
9 lowest price.

10 During the POI, the Chinese have priced  
11 their product so far below the U.S. product that many  
12 U.S. producers, including Vulcan, have had to sell at  
13 a loss in order to meet the Chinese price and maintain  
14 market share, or to lose the business altogether.

15 I believe it's clear that both panels have  
16 confirmed that there are no quality differences  
17 between the Chinese product and the domestic product.  
18 They can be used interchangeably in the same end use  
19 applications. Decisions by customers are driven  
20 primarily by price.

21 It's also clear, I think, from the testimony  
22 of all the witnesses today that there are no other  
23 import sources of low carbon steel threaded rod that  
24 are of any significance in the U.S. market. There's  
25 been some material from India in the U.S. market, but

1 that appears to be very small; and as Mr. Haggerty  
2 opined, it's also very limited in terms of  
3 availability.

4 By contrast, the volume of imports from  
5 China is anything but small. We estimated in our  
6 petition that Chinese imports increased by over 300  
7 percent during the course of the POI. Even if this  
8 figure is overstated, you still have very significant  
9 volume increases during the three years that the  
10 investigation covers.

11 I mentioned during my opening remarks about  
12 playing by the rules in the marketplace; and we all  
13 understand what the rules are before this Commission  
14 in applying its laws and regulations to these cases.  
15 Taking an elastic view of the period of investigation,  
16 I think, is often resorted to by parties who don't  
17 like the hand they're dealt in terms of the  
18 information that's coming into the Commission under  
19 the established rules of looking at a defined period  
20 of investigation.

21 Nevertheless, even if you look at the period  
22 following the POI that is 2008 year-to-date, you will  
23 not see any change in terms of the behavior of the  
24 Chinese imports or their impact on the domestic  
25 industry.

1           Costs are going up worldwide. We've all  
2 agreed on that. It's also clear that the Chinese  
3 imports are still underpricing U.S. producers by very  
4 significant margins.

5           You also heard about an email community  
6 purportedly by Vulcan about a price increase. I think  
7 we all understand that domestic manufacturers and  
8 distributors very much like to send out price increase  
9 notifications to their customers. Whether those  
10 prices stick and whether they stick at the level that  
11 has been proposed by the supplier are two very  
12 different things.

13           It's clear on the record that sales were  
14 made in this industry on a transaction by transaction  
15 basis. Indeed, Mr. Haggerty said that many of his  
16 transactions are very small transactions, and come in  
17 almost hourly and they're responded to hourly.

18           Price increase announcement are fine; and if  
19 they're successful, that is a good result for the  
20 supplier. But they are not always successful,  
21 particularly in the teeth of low priced imports being  
22 offered to the same set of customers.

23           We have all heard from both panels this  
24 morning once again about the increase in raw material  
25 costs in 2008. A lot of it is anecdotal. However, we

1 will see industry publications, as I think in other  
2 proceedings, that the price increase of wire rod has  
3 been significant. It's been breathtaking, in fact,  
4 since the middle of last year.

5 Vulcan, like all manufacturers, would very  
6 much like to pass through those price increases to its  
7 customers. It cannot always achieve that. In fact,  
8 as Mr. Logan testified earlier, the pressure of  
9 Chinese low prices has prevented Vulcan from  
10 recapturing the cost increases that have been imposed  
11 upon it by global and domestic market conditions in  
12 terms of the raw material.

13 Mr. Haggerty also talked about the high  
14 level of service that his company provides; and we  
15 compliment Porteous on their level of service, which  
16 we think is no more remarkable or no greater than the  
17 service that Vulcan supplies to its customers, as both  
18 Mr. Logan and Mr. Buckner testified this morning.

19 Manufacturers are also in the service  
20 business these days. They are competing with  
21 distributors who are offering a low cost product, and  
22 manufacturers try to get whatever advantage they can.  
23 Indeed, in your questions to our panel this morning,  
24 Mr. Carpenter, you addressed whether improved or  
25 superior service can command a premium in pricing; if

1       only it could.

2                   But what Vulcan has found is that service is  
3       fine. Made in America is fine, until you get to the  
4       price, and then the customer looks at the prices and  
5       makes his decision on that basis.

6                   We've also heard a lot of discussion about  
7       the pricing of products. I don't think there's much  
8       more to say on that. The pricing products that we  
9       propose to the Commission represents a very  
10      significant percentage of the products Vulcan makes  
11      and the products that Vulcan sees in the market.  
12      There's nothing aberrational about those pricing  
13      products. Indeed, they are representative of the  
14      market as a whole and, as Vulcan also testified,  
15      they're seeing that same kind of pricing pressure  
16      across the board -- all products, all diameters, all  
17      lengths, all finishes.

18                  There was an interesting comment about  
19      engineers in California, putting in requirements that  
20      cannot be met by China. Someone should convey that to  
21      the Californian domestic threaded rod producer and ask  
22      him why, with that great advantage, he is still  
23      suffering at the hands of increasing imports at even  
24      lower prices from Chinese sources.

25                  Mr. Haggerty mentioned that Vulcan is not a

1 competitor of his across the country. Well, that's  
2 not entirely true, and I think the record establishes  
3 that Vulcan is a national supplier. It competes in  
4 geographic markets all through the country, as well as  
5 all product lines.

6 Mr. Haggerty did mention that Watson is a  
7 competitor of his in the northeast, and we've seen  
8 what happened to Watson as Chinese imports flooded  
9 into the northeastern market.

10 The final comment I have is just on some  
11 comments made by Respondent's counsel about costs in  
12 China, particularly labor costs involved in production  
13 processes and zinc costs.

14 My only comment on that is that the raw  
15 material costs worldwide are supposed to be going up  
16 significantly. We've seen the reports in the public  
17 media about steel and zinc costs in China. Also, we  
18 agree, Chinese labor is inexpensive. Indeed, it's  
19 apparently expendable.

20 But if you look at Vulcan's process, if you  
21 look at the American platers, you will see it's not a  
22 labor-intensive industry in the United States. It's  
23 highly automated.

24 So whatever advantage the Chinese have of  
25 paying their workers 82 cents an hour is diminished by

1 the enormous rate costs of bringing the material from  
2 China, and is offset or should be offset by the world  
3 class technology and processes that Vulcan operates in  
4 its plant. Thank you very much.

5 MR. CARPENTER: Thank you, Mr. Waite, for  
6 those comments; Mr. McGrath?

7 MR. MCGRATH: I'll leave my name tag. I  
8 think you know who I am. Thank you very much; again,  
9 for the record, I'm Matt McGrath on behalf of  
10 Porteous.

11 During the break, I was just looking at the  
12 picture of uses that was provided here of hangers for  
13 pipe and sprinkler systems, and trying to figure out  
14 how we can investigate to see whether Fred's building  
15 is up to sprinkler code. That's interesting.

16 (Laughter.)

17 MR. MCGRATH: I only have a couple of issues  
18 to address in response. I have to admit that we are  
19 seeing things a little differently on this question of  
20 service. Mr. Upton testified this morning that they  
21 service the entire country nationally from the Pelham,  
22 Alabama headquarters. Mr. Waite just agreed with  
23 that, and said they nationally compete.

24 We, at Porteous, view that competition from  
25 a single point as being something that basically



1 doesn't reach out to customers to provide them with  
2 the kind of national service that Porteous can provide  
3 with its warehouses and distribution centers around  
4 the country.

5           It's more than just the size or quantity of  
6 the sales that is ordered. That's where Porteous,  
7 with its supply network, has a benefit in how they've  
8 invested in this marketplace. It's the quantity of  
9 the transaction, and it's also the lead time, the turn  
10 around time.

11           So many of these smaller orders, as Mr.  
12 Haggerty testified, are very brief turn around. They  
13 are orders that somebody wants today; a distributor.  
14 It's the same group of distributor customers that  
15 they're all selling to; at least the same level of  
16 trade that they're selling to.

17           As Mr. Haggerty testified, he has a number  
18 of customers who buy smaller product, who will never  
19 be reaching out to Vulcan to satisfy their needs.  
20 Because Vulcan is not going to turn around the small  
21 amounts they need in the time they need and provide  
22 them with that. So in much of that market, as Mr.  
23 Haggerty estimated, perhaps 25 percent, it's a market  
24 that Vulcan is not really a competitor with them. But  
25 the Chinese compete with each other.

1           The comment that was also offered this  
2 morning, that the case was filed, I think it was  
3 perhaps a comment prepared before the recent  
4 developments occurred. But the case was filed to  
5 basically force the Chinese to price fairly, to force  
6 an increase in what's happening with Chinese products  
7 in the marketplace.

8           The current events that are underway  
9 certainly weren't driven by the filing of the dumping  
10 case three weeks ago. The price increases, as Mr.  
11 Waite just indicated, the cost increases for steel,  
12 had been put in motion in the middle of last year or  
13 the end of last year. That's coming home to roost in  
14 much, much higher prices for threaded rod right now.

15           I have not objected to how the rules are set  
16 in determining what a period of investigation is. I  
17 know that that's how it works. Certainly, our comment  
18 there is not based on having seen any of the  
19 questionnaire responses and not liking what the data  
20 shows.

21           Immediately when this was filed, our client  
22 was in touch and said this seems to be an odd time to  
23 be filing a case saying prices are too low. They're  
24 going through the roof. We're all announcing very  
25 high price shifts. This was, of course, just before

1 Vulcan made their announcement on price increases.

2 I think that price increase announcement is  
3 more than just a notice out there to the industry that  
4 we'd like to increase our prices by 25 percent. It's  
5 25 percent. It's a huge jump because, as the Chinese  
6 are acknowledging the impact of recently increased  
7 steel costs, that's going to change this market  
8 entirely.

9 If this case goes to a final decision with a  
10 dumping margin in place, which is always expressed in  
11 terms of a ad valorem amount that will be assessed on  
12 a customs value, a declared import value, the increase  
13 in cost is going to be much, much greater; and the  
14 increase in downstream pricing will be much greater  
15 than whatever would have been anticipated when most of  
16 this data was assembled at the middle and the end of  
17 last year.

18 It's just a question of when the trigger was  
19 pulled. By doing it in the middle of March or the  
20 beginning of March, this entire investigation will be  
21 cut off from examining what happened in the first  
22 quarter.

23 That is a very important factor that I think  
24 is unusual in cases that you've looked at. We ask  
25 that you include this element in your report to the

1 Commission, so that they have a full picture.

2 Another point that I wanted to make is that  
3 in the discussions this morning about how prices have  
4 moved throughout the period of investigation through  
5 2005, 2006, and 2007, I noticed that the decline in  
6 prices was always directly attributed to Chinese  
7 under-pricing, Chinese price pressure. Yet, the  
8 increases that took place at the end of last year were  
9 attributable to increasing cost, increasing cost of  
10 steel pressure.

11 I think Petitioners want to have their cake  
12 and eat it, too. If it's bad, it's due to China. If  
13 it's an increase in price, it's due to cost.

14 Basically, what has happened, the reality is  
15 that the pricing pattern for both the import and the  
16 domestic product followed the basic line of the cost  
17 of steel. The cost of steel went down during this  
18 investigation. In 2004, the prices for threaded rod  
19 were higher than they were in the middle of this  
20 investigation. Then they followed the steel price  
21 down and went back up again. So that will be obvious,  
22 I'm sure, in your analysis of this. But I did want to  
23 emphasize that once more.

24 Also, just to emphasize another point of  
25 disagreement, I believe Mr. Logan had indicated that

1 products one through three of your pricing data  
2 products in the questionnaire accounted for maybe 60  
3 to 70 percent of the market. We calculate that those  
4 three products maybe account for 15 to 20 percent of  
5 the market, as Porteous sees the market.

6 So there may be much less head to head  
7 competition here than perhaps Vulcan feels; and  
8 Porteous accounts for a very large proportion of the  
9 imports in the United States.

10 Then I think the last point I wanted to make  
11 was finally back to the issue of the service that's  
12 provided and what the impact of that is. I noticed  
13 that during the testimony this morning, I think that  
14 Mr. Buckner had indicated that they maintained  
15 substantial inventories and that they are ready to  
16 supply product.

17 He also said that they could supply 10,000  
18 pounds to full truckload orders at any time.  
19 Obviously, we point out or pride ourselves, I think,  
20 on being able to supply much less than 10,000 pounds;  
21 but also higher levels of product at the same time.

22 But on the issue of inventory, you have the  
23 data. You can check against the inventory figures  
24 that you've received from Vulcan. I think that you'll  
25 find the statements that have been made and the facts

1 as reflected in their questionnaire answers are not  
2 consistent.

3 We hope that this information is conveyed to  
4 give a full picture to the Commission. We feel very  
5 strongly that there's not a causation link that's been  
6 established here between the imports and the concerns  
7 that the industry has about pricing. We think that  
8 pricing has followed a consistent predictable pattern  
9 tied into steel costs, and that the analysis should  
10 result in a negative determination. Thank you very  
11 much.

12 MR. CARPENTER: Thank you, Mr. McGrath; and  
13 on behalf of the Commission and the staff, I want to  
14 thank the witnesses who came here today, as well as  
15 counsel, for your testimony and sharing your insights  
16 with us in helping us develop the record in the  
17 investigation.

18 Before conclusion, let me mention a few  
19 dates to keep in mind. The deadline for the  
20 submission of corrections to the transcript and for  
21 briefs in the investigation is Monday, March 31st. If  
22 briefs contain business proprietary information, a  
23 public version is due on April 1st.

24 The Commission has tentatively scheduled its  
25 vote on the investigation for April 18th at 11:00 a.m.

1 It will report its determination to the Secretary of  
2 Commerce on April 21st, and Commissioners' opinions  
3 will be transmitted to Commerce one week later on  
4 April 28th.

5 Thank you for coming. This conference is  
6 adjourned.

7 (Whereupon, at 12:46 p.m., the preliminary  
8 conference in the above-entitled matter was  
9 concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Steel Threaded Rod  
**INVESTIGATION NO.:** 731-TA-1145  
**HEARING DATE:** March 26, 2008  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: March 26, 2008

SIGNED: LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: John DelPino  
Signature of Court Reporter