

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
) 701-TA-464
PRESTRESSED CONCRETE STEEL) 731-TA-1160
WIRE STRAND FROM CHINA) (Preliminary)

Pages: 1 through 171

Place: Washington, D.C.

Date: June 17, 2009

HERITAGE REPORTING CORPORATION

Official Reporters

1220 L Street, N.W., Suite 600

Washington, D.C. 20005

(202) 628-4888

contracts@hrccourtreporters.com

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)	Investigation Nos.:
)	701-TA-464
PRESTRESSED CONCRETE STEEL)	731-TA-1160
WIRE STRAND FROM CHINA)	(Preliminary)

Wednesday,
June 17, 2009

Room 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, JOHN ASCIENZO, Acting Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

JOHN ASCIENZO, DIRECTOR OF INVESTIGATIONS
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR
MARY MESSER, INVESTIGATOR
PETER SULTAN, ATTORNEY/ADVISOR
JOSH LEVY, ECONOMIST
MARY KLIR, AUDITOR
JEREMY WISE, INDUSTRY ANALYST

APPEARANCE: (Cont'd.)

In Support of the Imposition of AntiDumping and
Countervailing Duties:

On behalf of American Spring Wire Corporation, Insteel
Wire Products Co., and Sumiden Wire Products Corp.:

HOWARD WOLTZ, III, President & CEO,
Insteel Wire Products Co.

TIMOTHY SELHORST, President and CEO,
American Spring Wire Corp.

JON CORNELIUS, General Manager, PC Strand
Division, Sumiden Wire Products Corp.

TIMOTHY JOHNSON, Chief Operating Officer,
Suncoast Post-Tension Ltd.

RICHARD WAGNER, Vice President & General Manager,
Insteel Wire Products Co.

JOSEPH NAPOLI, Product Sales Manager,
American Spring Wire Corp.

JEFFREY FEITLER, Vice President of Sales and
Marketing, Sumiden Wire Products Corp.

GINA BECK, Economic Consultant,
Georgetown Economic Services

KATHLEEN W. CANNON, Esquire
PAUL C. ROSENTHAL, Esquire
Kelley Drye & Warren, LLP
Washington, D.C.

In Opposition to the Imposition of AntiDumping and
Countervailing Duties:

On behalf of Global Steel Sales Corp.:

ROBERT HENDRICKS, President, Global Steel
Sales Corp.

RONALD M. WISLA, Esquire
LIZBETH R. LEVINSON, Esquire
Garvey Schubert Barer
Washington, D.C.

Heritage Reporting Corporation
(202) 628-4888

I N D E X

	PAGE
OPENING STATEMENT OF KATHLEEN W. CANNON, ESQUIRE KELLY DRYE & WARREN, LLP	5
OPENING STATEMENT OF RONALD M. WISLA, ESQUIRE, GARVEY SCHUBERT BARER	8
TESTIMONY OF KATHLEEN W. CANNON, ESQUIRE, KELLEY DRYE & WARREN, LLP	12
TESTIMONY OF TIMOTHY SELHORST, PRESIDENT AND CEO AMERICAN SPRING WIRE CORP.	14
TESTIMONY OF HOWARD WOLTZ, III, PRESIDENT & CEO, INSTEEL WIRE PRODUCTS CO.	20
TESTIMONY OF JON CORNELIUS, GENERAL MANAGER, P.C. STRAND DIVISION, SUMIDEN WIRE PRODUCTS CORP.	25
TESTIMONY OF TIMOTHY JOHNSON, CHIEF OPERATING OFFICER, SUNCOAST POST-TENSION LTD.	31
TESTIMONY OF GINA BECK, ECONOMIC CONSULTANT, GEORGETOWN ECONOMICS SERVICE	35
TESTIMONY OF PAUL C. ROSENTHAL, ESQUIRE, KELLEY DRYE & WARREN, LLP.	47
TESTIMONY OF LIZBETH R. LEVINSON, ESQUIRE GARVEY SCHUBERT BARER	97
TESTIMONY OF ROBERT HENDRICKS, PRESIDENT, GLOBAL STEEL SALES CORP.	98
CLOSING STATEMENT OF PAUL C. ROSENTHAL, ESQUIRE, KELLY DRYE & WARREN, LLP	156
CLOSING STATEMENT OF LIZBETH R. LEVINSON, ESQUIRE, GARVEY SCHUBERT BARER	165

P R O C E E D I N G S

(9:30 a.m.)

MR. ASCIENZO: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of countervailing duty investigation No. 701-TA-464 and antidumping investigation No. 731-TA-1160 concerning imports of prestressed concrete steel wire strands from China.

My name is John Ascienzo, and I am the Commission's Acting Director of Investigations, and I will preside at this conference. Among those present from the Commission staff on my far right are from my far right: Douglas Corkran, the supervisor investigator; Mary Messer, the investigator; Peter Sultan, the attorney/advisor; Josh Levy, the economist; Mary Klir, the auditor; and Jeremy Wise, the industry analyst.

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

1 Are there any questions?

2 (No response.)

3 MR. ASCIENZO: If not, welcome, Mr. Cannon,
4 and please proceed with your opening statement.

5 MS. CANNON: Good morning, Mr. Ascienzo, and
6 members of the Commission staff. I am Kathleen Cannon
7 of the law firm Kelly Drye & Warren. I am here today
8 represent the Petitioners, the domestic prestressed
9 concrete steel wire industry, the product I will refer
10 to as PC strands.

11 The PC strand industry appeared before the
12 Commission in 2003 seeking relief from unfairly traded
13 imports from five countries that were injuring the
14 industry at that time. Imports from the five subject
15 countries in that case peaked at 165 million pounds
16 and accounted for 22 percent of U.S. consumption. As
17 a result, the domestic industry's market share,
18 production, and shipments fell, and the industry's
19 financial condition declined.

20 The Commission found injury due to imports,
21 duties were imposed, and we are now in the midst of
22 the sunset rule of those orders. The orders had a
23 strong remedial effect and initially permitted the
24 domestic PC strand industry to recover and increase
25 sales and profits. Unfortunately, that recovery was

1 only temporary as China quickly surged into this
2 market.

3 From a minimal import volume at the time of
4 the earlier cases, PC strand imports from China have
5 surged into the U.S. market at levels that
6 substantially exceed the peak cumulated import volume
7 from the five countries. While the five countries
8 captured a 22 percent market share collectively, China
9 alone held a 40 percent share of the U.S. market in
10 2008.

11 Not only are the volumes large, but China
12 has significantly increased its market share and its
13 share of U.S. production over the past three years at
14 the expense of the domestic industry. The industry's
15 operating profit-to-sales ratio has declined from
16 double digit profits in 2006 to double digit losses in
17 interim 2009.

18 China has made these rapid in-roads into the
19 U.S. market on one and only one basis -- price. The
20 prices of imports from China undercut U.S. producer
21 prices, often by substantial amounts, causing lost
22 sales and lost revenue by U.S. producers as the
23 Commission has verified already. Declines have
24 occurred in virtually all trade and financial
25 variables for the industry in recent years. The

1 domestic industry has laid off employees, reduced work
2 schedules and idled facilities due to competition with
3 imports from China.

4 As I have worked with industry members in
5 preparing for this case, I have heard one consistent
6 them: That the Chinese competitors are different from
7 all other competitors. The Chinese producers lack
8 discipline in ensuring that their price bears any
9 relationship to cost, and a pure intent on penetrating
10 the U.S. market at any price.

11 Indeed, we are in the unusual situation of
12 being joined by a representative of the largest
13 purchaser of PC strand in the U.S. market who will
14 tell you about the chaos that imports from China have
15 caused in this market and why he supports restoring
16 fair trade conditions through this case.

17 No end to this problem is in sight. The
18 capacity to produce PC strand in China is massive and
19 continues to expand. It far exceeds consumption in
20 China. The Chinese government's policies and
21 practices promote exports of PC strand, and the
22 European Union has just imposed significant
23 antidumping duties on imports of PC strand from China.
24 As if things aren't bad enough, they will only get
25 worse a diversion occurs and as China look for an

1 outlet for its excess capacity.

2 Relief is needed now as our industry
3 witnesses will attest. Thank you.

4 MR. ASCIENZO: Thank you. Mr. Wisla.

5 MR. WISLA: Good morning. I am Ron Wisla of
6 the law firm of Garvey Schubert Barer. Our firm
7 represents Global Steel Sales Corp., a U.S. importer
8 of PC strand manufactured in China.

9 After a strong period of growth and record
10 profitability between 2006 and 2008, the Petitioners
11 will undoubtedly establish they have recently
12 experienced declines in production, sales, employment
13 and profitability. What industry hasn't? This
14 industry, like the entire steel industry, and the U.S.
15 and global economies is in the midst of the most
16 severe recession since the Great Depression. This is
17 the largest economic setback in our lifetime. The
18 global recession is certainly not limited to the PC
19 strand industry. Importers, foreign producers and
20 U.S. purchasers of PC strands have all been adversely
21 affected.

22 In order to impose antidumping and
23 countervailing duty orders on PC strand from China, it
24 is not sufficient for Petitioners to claim that
25 economic injury is affecting them. For that it

1 requires that the Commission find a reasonable
2 indication that the domestic industry is materially
3 injured by reason of imports of the subject
4 merchandise. In the absence of the necessary causal
5 link between material injury and subject imports, a
6 negative injury determination is required.

7 The record in this case establishes that no
8 causal link exists between Chinese imports and any
9 adverse conditions currently facing the domestic
10 industry. Official U.S. import statistics tell the
11 story. Between 2006 and 2008, when the domestic
12 industry enjoyed increased sales and record profits,
13 the quantity of Chinese imports registered only a
14 slight decline of 1.15 percent.

15 A comparison between the first quarter of
16 2008 and the first quarter of 2009 shows that imports
17 from China cratered by over 86 percent. This is the
18 same period in which the domestic industry registered
19 declines in production, sales, profitability, and
20 employment.

21 In my nearly 25 years before the Commission,
22 I have never seen a decline of subject imports of this
23 magnitude prior to the filing of the petition.
24 Significantly, Chinese imports declined from an 88.3
25 percent import share first quarter 2008 to a 63.74

1 import share in the first quarter of 2009. Thus
2 Chinese imports declined at a much greater rate than
3 imports from all other sources.

4 The unprecedented decline in Chinese imports
5 during the only period in which the domestic industry
6 can show injury negates any possibility of the Chinese
7 imports being a cause of such injury. Moreover, no
8 linkage exists between alleged injury and prices of
9 Chinese imports.

10 Despite the collapse of steel prices in
11 September 2008, the average unit value of Chinese
12 imports of PC strands increased. Comparing prices in
13 the first quarter 2008 to first quarter 2009, AUVs of
14 Chinese imports increased by 15 percent. This
15 increase occurred during the only period in which
16 injury to the domestic industry is evidenced.

17 The conditions of competition under which
18 this industry operates also negate any linkage between
19 Chinese imports and injury. The current U.S. and
20 global recession, and not the presence of Chinese
21 imports, is the cause of any alleged injuries.
22 Chinese imports did not cause the total collapse in
23 U.S. consumption for PC strand. Chinese imports did
24 not decrease U.S. exports of PC strand or the
25 depressed prices for steel and steel products.

1 Chinese imports did not stall state and local
2 construction projects tripled by declining tax
3 revenues or decimate commercial construction projects.
4 Chinese imports did not constrict credit markets or
5 eliminate financing for public and private
6 construction.

7 In addition, the presence of mandatory Buy
8 American provisions establishes that competition
9 between the domestic industry and imports is greatly
10 attenuated. The domestic industry now enjoys the
11 complete monopoly in federal, state, county, and
12 municipal construction projects. In the 2003 to 2004
13 investigation on this product, Buy American
14 provisions covered about 30 percent of U.S.
15 consumption. Since that time Buy American coverage
16 has increased to over 50 percent of U.S. consumption.
17 This percentage is expected to increase even further
18 as record amounts will be spent on newly federally
19 funded construction projects as part of the Economic
20 Stimulus Program. Thus, competition between imports
21 and the domestic industry is limited only to the
22 smallest segment of the domestic industry.

23 Finally, PC strand is a commodity project
24 built to strict ASTM specifications. PC strand is
25 produced in many countries at all stages of economic

1 development. So should an antidumping order be placed
2 on imports from China, imports from third countries
3 will merely replace imports from China. This trend is
4 already evident in the 2009 import data as imports
5 from other countries have taken import share from
6 China. Moreover, countries other than China are the
7 price leaders in the U.S. market.

8 Given the absence of any causal links
9 between the conditions of the domestic industry and
10 the volume and pricing impact of Chinese imports, the
11 Commission should reach a negative preliminary
12 determination. Thank you.

13 MR. ASCIENZO: Thank you for those remarks.

14 Please proceed when ready and please
15 remember to identify yourself before you speak for the
16 court reporter. Thank you very much.

17 MS. CANNON: Thank you, Mr. Ascienzo.

18 For the record again, I'm Kathleen Cannon.
19 Before turning to our industry witnesses, I would like
20 to dispense with a few legal issues.

21 As you know, the Commission investigated PC
22 strand five years ago and found that a domestic-like
23 product should be defined as co-extensive with the
24 scope of the case encompassing all PC strand. A
25 similar like product definition was adopted in a

1 sunset review of PC strand from Japan. The scope
2 definition of this investigation is the same as the
3 definition in the earlier investigations, and we
4 believe the domestic-like product should continue to
5 be defined the same way as well. No significant
6 technological or marketing changes have occurred in
7 the production of PC strand since those earlier
8 findings to alter that result.

9 Similarly, the domestic industry should
10 continue to be defined as the producers of PC strand.
11 At present, those producers include the three
12 petitioning companies, American Spring Wire, Insteel
13 and Sumiden, plus Strand Tech Martin, Retco and MMI.

14 Retco is the manufacture of PC strand and
15 MMI is the seller in pooling arrangements. Two
16 Mexican producers had established facilities in the
17 United States that were producing PC strand in 2006
18 and early 2007, but those facilities ceased production
19 in early to mid 2007.

20 Further, as the Commission found in the
21 prior PC strand cases, and continue to find here,
22 companies that do not produce but merely coat PC
23 strand should not be considered part of the domestic
24 industry.

25 Negligibility also is not an issue here.

1 According to Census statistics, subject imports
2 comprised over 90 percent of total imports of PC
3 strand in the most recently 12-month period, far in
4 excess of the negligibility levels.

5 With that summary of legal issues, I would
6 like to introduce our first witness, Mr. Tim Selhorst.

7 MR. SELHORST: Good morning, everyone. I am
8 Tim Selhorst, and I'm the president and CEO of
9 American Spring Wire Corporation, the position I've
10 held since 1999.

11 ASW has been a producer of PC strand from a
12 factory near Cleveland, Ohio, for over 30 years and
13 from a factory in Houston, Texas, since 1997. We've
14 competed for sales within the U.S. market over the
15 years against imported and domestically-produced PC
16 strand. In all my years in this industry, I have
17 never seen a competitor in the PC strand market as
18 massive, as aggressive, and as undisciplined as China.

19 Before discussing the effects of imports
20 from China, let me briefly describe the product and
21 its uses.

22 Prestressed concrete steel wire strand,
23 referred to in the industry as PC strand, is a seven-
24 wire steel strand that is produced from high carbon
25 steel wire rod. Generally, six wires surround a

1 single wire core. The product may be left uncoated or
2 it may be coated in plastic or epoxy. The vast
3 majority of PC strand sold in the United States,
4 whether by U.S. producers or by importers, is half-
5 inch diameter, 270 k minimum tensile strength, low
6 relaxation product. Both domestically produced and
7 imported PC strand is produced in conformity with ASTM
8 specifications and is interchangeable.

9 All PC strand has the same purpose: to
10 impart compressive forces into concrete or prestress
11 the concrete so the concrete can withstand tensile
12 forces without cracking.

13 PC strand may be sold to pre-tensioners or
14 post-tensioners. Pre-tensioners tension the strand
15 before the concrete is poured around the PC strand,
16 while post-tensioners tension the PC strand after the
17 concrete has cured.

18 We sell the identical PC strand to both pre-
19 tensions and post-tensioners. Identical imports from
20 China are also sold to both the pre-tensioners and
21 post-tensioners.

22 Regardless of the method of tensions used
23 the ultimate end use, a prestressed concrete
24 structural member is the same. Typical uses of PC
25 strand include: bridge deck, bridge girders,

1 structural support and foundations in areas with
2 expansive soils often referred to as slab-on-grade
3 projects. No other products are substitutable for PC
4 strands.

5 American Spring Wire was a Petitioner in the
6 successful trade cases our industry filed in 2003
7 against unfairly traded imports of PC strands from
8 five countries. We hoped that the trade action had
9 taken care of our import problems, and for awhile the
10 orders did help our industry. We were able to regain
11 sales, earn profits on those sales, and even make a
12 few investments.

13 Unfortunately, though, matters are even
14 worse for our industry today than during the last
15 investigation. China has driven most of the other
16 foreign sources out of the market and is quickly
17 displacing the U.S. production as well. What is most
18 disturbing about China is the massive size of its PC
19 strand production capacity, coupled with its intent on
20 penetrating the U.S. market at our expense regardless
21 of price.

22 As you see from the import statistics in our
23 petition, China has been a major presence in the
24 U.S. market since 2006. One of the ways in which the
25 Chinese government promotes exports of PC strand is by

1 applying a differential tax scheme to upstream and
2 downstream steel products. China imposes a tax on
3 exports of PC strand of 15 percent, but provides a 5
4 percent VAT tax rebate on exports of PC strand, which
5 accounts for a 20 percent differential. This provides
6 a significant incentive for Chinese producers to
7 export PC strand.

8 The export taxes on wire rod have also led
9 to an oversupply of wire rod in China and lowers
10 prices of rod to Chinese rod consumers, including PC
11 strand producers.

12 This tax policy is just one of the many
13 mechanisms the Chinese government has adopted to
14 promote exports of downstream value-added steel
15 products at the expense of competing U.S. producers,
16 and as the substantial import volumes of PC strand
17 from China in 2006 to 2008 demonstrate, the Chinese
18 government's policy is working.

19 Last fall I was part of the U.S. delegation
20 that went to Beijing to discuss these and other issues
21 concerning large volumes of exports of wire and wire
22 products from China, including PC strand, and the harm
23 these exports have on U.S. industries. Despite our
24 efforts the Chinese government refused to take any
25 action to alter its policies. Members of the U.S.

1 Trade Representatives's Office faced with the bleak
2 prospects for China to change these distorted policies
3 urged us to consider unfair trade cases to address
4 these problems. So here we are.

5 The Chinese producers have been able to gain
6 the sizeable market share they now hold on the basis
7 of one factor -- price. The Chinese producers are
8 consistently the lowest price source of PC strand in
9 the United States. They regularly undercut our prices
10 causing us to lose sales or reduce our prices to
11 compete and lose revenue.

12 In recent quarters, the Chinese PC strand
13 imported into this country has been priced lower than
14 the domestic industry's cost of production. These low
15 prices reflect the substantial subsidies that the
16 Chinese producers receive as well as their dumping
17 behavior. Sales of Chinese PC strand seem to be made
18 without regard to normal commercial considerations of
19 covering costs and earning a reasonable profit,
20 factors that my company and other U.S. producers must
21 consider to remain viable.

22 The result of these low-priced imports has
23 seen significant declines in production, shipments,
24 and employment at American Spring Wire since 2006. We
25 have documented for the Commission a number of lost

1 sales to imports from China. In each instance, we did
2 not lose the sale because of the Chinese product is a
3 better quality or offers better service, we lost each
4 sale because of price. We simply cannot afford to
5 continue to lower our prices to match the prices of
6 Chinese imports and remain in business.

7 Unfortunately, as bad as it has been in the
8 industry in recent years, things are getting worse.
9 Beginning in October 2008, we curtailed operation at
10 both of our factories to only five days per week with
11 two shifts from what had been a six-to-seven-day per
12 week three shift operation. In November and December
13 2008, our Houston plant ran only 10 days on a two-
14 shift operation. We have been forced to put capital
15 projects on hold as we are not projecting an adequate
16 return on investments from planned projects unless
17 problems caused by imports from China are addressed,
18 and 2009 is even more bleak than 2008, with continued
19 declines in both our trade and financial variables.
20 Although imports from China dropped in the first
21 quarter of this year, that was merely a reflection of
22 the huge inventories of Chinese products sitting in
23 warehouses and on the floors of customers and
24 importers.

25 China has already resumed aggressively

1 selling large volumes of PC strand at low prices to
2 U.S. purchasers for the balance of 2009. We are
3 further having to reduce our workforce, schedule
4 periodic extended shutdowns, and put capital projects
5 on hold as we watch China decimate our market.

6 I have no doubt that left unchecked Chinese
7 imports of PC strand will continue to displace our
8 sales, causing further reductions in our shipments,
9 and further financial loss to our industry. The sheer
10 size of the Chinese industry, coupled with the
11 willingness of Chinese producers to sell at absurdly
12 low prices will only lead to continued injury to our
13 industry unless duties are imposed.

14 Thank you.

15 MS. CANNON: Our next witness will be Mr. H.
16 Woltz.

17 MR. WOLTZ: Good morning. My name is H.
18 Woltz. I am president of Insteel Wire Products
19 Company, having served in that capacity for 19 years,
20 and I've been involved in the steel wire industry for
21 over 30 years. My work withstands all aspects of the
22 PC strand business, including investment
23 justification, facility construction and start-up
24 production and marketing.

25 As Mr. Selhorst explained, PC strand is not

1 a new product to this Commission. The industry filed
2 successful antidumping and countervailing duty cases
3 against Brazil, India, Korea, Mexico and Thailand in
4 2003, when imports from these countries reached nearly
5 85,000 tons and accounted for 22 percent of U.S.
6 consumption. Imports of PC strand from China were
7 virtually nonexistent at that time.

8 By 2005, however, imports of Chinese strand
9 had completely replaced cumulated imports from the
10 five countries. By 2006, imports of PC strand from
11 China had more than doubled again and have remained
12 high since then. Over the three-year period of the
13 investigation imports of PC strand had averaged nearly
14 190,000 tons annually or more than twice the combined
15 level of imports that the Commission found injurious
16 to the industry in 2003.

17 China gained this dominant market position
18 by offering huge quantities of strand at extremely low
19 prices underselling Insteel and the rest of the
20 industry.

21 PC strand is a commodity product with the
22 vast majority of the market, whether supplied by
23 domestic or Chinese producers, comprised of half-inch,
24 270 k grade. For this reason the market for PC strand
25 is highly price sensitive, and small differences in

1 price lead to a gain or a loss of a sale. PC strand
2 is sold in the United States directly to end users by
3 both domestic producers and subject importers. We
4 compete directly against subject imports for sales to
5 the same end-user customers.

6 As documented in our questionnaire response,
7 Insteel has lost sales and reduced prices to lower
8 priced imports from China. This has happened across
9 our entire customer base. Post-tensioners have
10 traditionally been some of our largest customers and
11 an important part of our business. Yet, as you can
12 see from our questionnaire response, we have lost a
13 tremendous amount of business with post-tensioners
14 over the last three years, virtually all of it to
15 Chinese strand.

16 In 2006, demand for PC strand was strong.
17 Even though imports from China were at high levels,
18 Insteel was able to maintain a relatively high level
19 of production and capacity utilization. When demand
20 fell from 2006 to 2008, imports from China increased
21 relative to market demand over the same period, taking
22 sales from Insteel.

23 In early 2008, we became concerned about
24 this seemingly unlimited imports of Chinese PC strand
25 entering the market. With construction and other

1 capital spending slowing down after August 2008, there
2 was a decline in demand for PC strand. It became
3 clear that domestic purchasers had bought huge
4 quantities of Chinese PC strand earlier in 2008 that
5 went into inventory, and they had more PC strand on
6 the water just as demand fell. As a result, those
7 purchasers simply stopped buying strand, domestic or
8 import, in order to consume the dumped Chinese strand
9 they had previously purchased. Much of this inventory
10 of Chinese strand was purchased at delivered prices
11 that were below Insteel's cost for wire rod. Had all
12 of that low-priced Chinese strand not been in
13 inventory the domestic industry would have been able
14 to maintain production, sales, and shipments at higher
15 levels.

16 The overhang of Chinese strand inventory at
17 the customer level took until the second quarter of
18 2009 to dissipate. Thus, while Chinese imports fell
19 during the first quarter of 2009, their presence in
20 the market in the form of inventory was significant
21 and continued to be a drag on sales and prices for the
22 domestic industry.

23 We're very concerned that the volume of
24 imports of dumped PC strand from China will rise again
25 in the near future:

1 First, the inventory overhang of Chinese
2 strand appears to have been substantially worked off.
3 Purchasing activity is showing some signs of recovery
4 although we do not expect the market to recover to
5 volumes shipped in 2007 and 2008.

6 Unfortunately, Chinese suppliers are once again
7 dominating the market in this early recovery.

8 Second, there are a very large number of
9 Chinese customers with substantial unused capacity who
10 appear to be targeting this market. I know this not
11 only from what we hear from our customers, but Insteel
12 is also directly receiving offers for PC strand from
13 China for delivery through the third quarter of 2009.

14 Third, the prices being offered for Chinese
15 PC strand continue to undersell the domestic industry.
16 Times are tough for your customers as well, and they
17 will buy from the source that offers the lowest price.
18 This mean the domestic industry will either have to
19 cede additional market share or lower prices further
20 during an already difficult period.

21 Finally, the Chinese government continues to
22 offer export incentives and subsidies to Chinese PC
23 strand producers, thereby facilitating additional
24 market share gains driven by underselling of dumped PC
25 strand.

1 The increased market share and low prices of
2 subject imports have caused serious injury to our
3 industry. Insteel has taken every possible step to
4 ensure that our operations are cost competitive.
5 Despite these efforts, we have seen our production and
6 our sales decline, our financial condition has eroded
7 as a result of dumped imports of PC strand from China.

8 Bringing these trade cases is a last resort
9 for this industry and one we did not undertake
10 lightly, but it's clear to me that we no longer had
11 any choice. Thank you.

12 MS. CANNON: The next industry witness will
13 be Mr. John Cornelius.

14 MR. CORNELIUS: Good morning. I'm John
15 Cornelius, the general manager of the PC strand
16 Division of Sumiden Wire Products Corporation. I've
17 served as general at Sumiden for three years, and have
18 been in the PC strand business for 13 years. Sumiden
19 producers PC strand in both Dixon, Tennessee, and
20 Stockton, California.

21 Like American Spring Wire and Insteel,
22 Sumiden has also suffered injury in attempting to
23 compete with the unfairly traded imports from China.
24 Over the past three years we have seen our production,
25 shipments, and sales decline and have been forced to

1 lay off workers. We have had to temporarily shut down
2 plants in both Tennessee and California. We have lost
3 sales and lost revenue due to imports from China that
4 consistently undercut our prices.

5 Beyond the injury that has occurred to date
6 to our industry, however, is the looming threat of
7 even more severe injury from Chinese PC strand imports.
8 Sumiden has gathered significant information on the
9 Chinese PC strand industry from sources both within
10 the United States and in China. Some of this
11 information was included with the petition, and other
12 information will be submitted in our brief.

13 When this information is reviewed there can
14 be no doubt that Chinese PC strand exports will cause
15 further severe injury to the remaining U.S. production
16 of PC strand if no action is taken. Let me recount
17 for you some specific examples we have gathered on the
18 Chinese industry.

19 First, we have obtained detailed information
20 from major European PC strand equipment suppliers on
21 the number of PC strand lines installed in China since
22 1988. We included that information in our petition at
23 Exhibit A. That information indicates over 2.3
24 million tons of capacity to produce PC strand was
25 installed in China.

1 We further estimate that Chinese produced
2 and installed manufacturing lines, added an additional
3 600,000 plus tons of capacity, for a total of roughly
4 3 million tons. Compare that capacity to the size of
5 the U.S. market where total demand is currently
6 estimated to be at less than 400,000 tons this year,
7 and you will begin to understand our serious concern.

8 Further, our information indicates that more
9 than half of Chinese PC strand producers have been
10 established in the past 10 years. Almost all Chinese
11 producers have added capacity since the year 2000,
12 including rapid capacity expansion in recent years.
13 These huge volumes of capacity are being installed in
14 China not only to serve the Chinese market, but are
15 targeted for exportation.

16 We know this from individuals who have been
17 in China meeting with Chinese producers. Demand for
18 PC strand in China accounts for only about half of its
19 capacity, leaving about 1.5 million tons of excess
20 capacity or nearly four times the current U.S. market
21 demand. The solution as far as China is concerned is
22 to export that product.

23 As Mr. Selhorst described, the Chinese
24 government has tax policies and subsidies that promote
25 the export of value-added product like PC strand, and

1 the U.S. market has been and will continue to be a
2 significant target of those exports.

3 Just last month the European Union imposed
4 significant antidumping duties on imports of PC strand
5 from China. That will only lead to further increases
6 in exports of PC strand to the U.S. market as
7 diversion of Chinese exports that had previously been
8 sent to Europe occurs.

9 Now, it may seem odd to be expressing
10 concern about surging exports of PC strand from China
11 when the first quarter of 2009 showed a decline in
12 those import volumes. Believe me, I wish that were a
13 sign of things to come, but it is not. As you have
14 heard from Mr. Woltz, that decline reflected a
15 temporary excess inventory situation, and is not an
16 indication that Chinese producers are reducing the
17 huge volumes of PC strand they have exported in the
18 past three years.

19 Chinese producers are now aggressively
20 marketing PC strand in the United States, offering
21 their product again in large volumes at low prices for
22 delivery all the way into the fourth quarter of this
23 year. For example, Sumiden received an unsolicited
24 offer for the sale of PC strand last month from a
25 Chinese producer. The Chinese producer stated that it

1 had just finished doubling its capacity to produce PC
2 strand and was adding another line by the end of this
3 year. The company, a relatively newcomer, stated its
4 goal was to export over 22,000 tons of PC strand to
5 the United States this year, and it would give us its
6 best price.

7 If this company were to achieve its stated
8 export goals, it alone would represent approximately 5
9 percent of the total U.S. market. The prices it
10 offered were well below our prices and even our costs.
11 We will submit the e-mail documenting this offer in
12 our brief.

13 It is amazing to me that Chinese producers
14 are so aggressive that they try to sell PC strand not
15 merely to U.S. purchasers of all types, but they also
16 try to sell PC strand directly to producers like
17 Sumiden. We routinely receive offers from Chinese
18 producers even though they know we are a producer,
19 because they also know we cannot produce PC strand at
20 the prices they offer to us. They are trying to
21 convince us to exit the business of producing PC
22 strand and to become an importer of their product
23 instead.

24 Our vice president of sales and marketing,
25 Jeff Feitler, joins me on the panel today. Mr.

1 Feitler attended a conference of the U.S. post-
2 tensioners in May of this year. The anticipated
3 filing of our trade petition was headline news at that
4 conference. The importers indicated that they were
5 receiving very low prices from China in an effort to
6 get products into this country before any duties were
7 imposed.

8 Even more disturbing, we learned from a
9 contact that had been in China last month that the
10 Chinese producers are already working out plans to
11 circumvent any order imposed. Transshipment of PC
12 strand through third countries with a falsely reported
13 country of origin and misclassification of PC strand
14 as a different product were identified as planned
15 means to avoid duties. What was crystal clear was
16 that the Chinese producers had no intent on correcting
17 unfair pricing behavior or in reducing the huge export
18 volumes to the U.S. market.

19 In the face of such a fierce competitor, our
20 industry has no choice but to seek relief under the
21 U.S. trade laws. The Chinese PC strand manufacturers
22 have made enormous capacity investments in recent
23 years, and they continue to buy U.S. market share by
24 severely undercutting our prices. If this problem is
25 not addressed, China will continue to gain U.S. market

1 share at our expense, causing further idling of
2 facilities, layoffs and ultimately lead to company
3 shutdowns. Thank you.

4 MS. CANNON: Mr. Tim Johnson will be our
5 next witness.

6 MR. JOHNSON: Good morning. My name is Tim
7 Johnson and I'm the chief operating officer of
8 Suncoast Post-Tension.

9 Suncoast is the largest supplier of post-
10 tension materials and services in the United States.
11 I've been with Suncoast for nearly eight years. In my
12 position with Suncoast, I deal with both suppliers of
13 PC strand as well as our customers.

14 Suncoast is the largest purchaser of PC
15 strand in the United States and one of the largest
16 purchasers of PC strand in the world. We have
17 purchasing centers in Texas, California, Virginia and
18 Florida. Suncoast consumes PC strand as a component
19 of its post-tensioning system nationwide. We buy
20 millions of feet of PC strand from both domestic and
21 import sources, and I'm familiar with the major
22 sources of Chinese and domestic PC strand.

23 It may seem a little unusual to have one of
24 the largest purchasers of PC strand testifying in
25 support of this petition, but we live in unusual

1 times. There are so many Chinese producers with so
2 much capacity, offering huge quantities of PC strand
3 to a variety of importers that it is creating chaos in
4 the market.

5 I understand that the Commission generally
6 does not collect information from purchasers until the
7 final investigation stage, but I wanted you to know at
8 this stage of the investigation that the things you
9 are hearing from the domestic industry today are
10 absolutely correct, in my experience.

11 As you have heard, PC strand is a commodity
12 product. Suncoast can buy identical PC strand from a
13 number of importers of Chinese PC strand and use it
14 interchangeably with domestic PC strand. As a result,
15 as long as a producer or importer can deliver the PC
16 strand on the schedule I want the most important
17 factor in the purchasing decision is going to be
18 price.

19 Imports of PC strand from China were setting
20 the price levels in the market by 2006 and continued
21 to do so from 2007 through 2009. Because there have
22 been virtually no limits on the availability of
23 Chinese PC strand throughout this period, domestic
24 producers that wanted to do significant business from
25 Suncoast generally had to be at or very near Chinese

1 delivered prices.

2 During 2006 and part of 2007, domestic
3 producers began losing more sales to the Chinese even
4 if they lowered their prices in an attempt to be
5 competitive with Chinese imports. Nevertheless
6 Suncoast continued to do business with a variety of
7 domestic producers and major importers.

8 By 2008, imports from China were the
9 dominant share of Suncoast's total purchases. Given
10 the much lower prices the imports were offering, we
11 really had no choice. We began increasing our
12 purchases of lower-priced Chinese PC strand in early
13 2008 as demand seemed to be strong. Domestic
14 producers had trouble competing with the Chinese
15 prices during this period.

16 By midyear 2008, our business began to
17 decline significantly and our inventories of Chinese
18 PC strand grew dramatically because we have to place
19 import orders at least a quarter in advance. We also
20 had quite a bit of PC strand from China on the water
21 scheduled for deliver in the third and fourth quarters
22 of 2008. With this huge buildup of inventory,
23 Suncoast largely ceased ordering new PC strand between
24 September 2008 and March 2009.

25 Throughout this period there was plenty of

1 Chinese and domestic PC strand available, and we
2 continued to receive offers from importers for Chinese
3 strand, but we had to work down our inventory
4 overhang, and that inventory was almost just all
5 Chinese material. To the best of my knowledge, this
6 was typical for other PC strand purchasers as well.

7 Now that our excess inventory has been
8 worked off some customers have resumed ordering PC
9 strand in significant quantities for May through
10 August 2009 deliveries because Chinese PC strand is
11 being offered to Suncoast at prices well below
12 domestic prices in 2009, the lion's share of those
13 orders are again going to the imports from China.
14 These offers are coming from a variety of importers
15 representing a large number of Chinese producers.
16 These quotes go out until the third quarter for most
17 sources.

18 Suncoast will continue to purchase
19 predominantly Chinese PC strand as long as it is
20 available at prices that undersell the domestic
21 industry because we need to be cost competitive. I
22 imagine others in the industry will do the same.

23 I would certainly like to be able to
24 purchase PC strand from domestic sources. Given the
25 large number of Chinese sources and the low prices

1 they are offering, it is going to be extremely
2 difficult for domestic purchasers to get our business
3 unless the very low pricing behavior of Chinese
4 suppliers changes.

5 Thank you.

6 MS. CANNON: The final witness this morning
7 will be Gina Beck.

8 MS. BECK: Good morning, Mr. Ascienzo and
9 Commission staff. I am Gina Beck of Georgetown
10 Economic Services. This morning I will discuss the
11 volume and price effects of imports from China on the
12 performance of the U.S. PC strand industry.

13 The volume of PC strand imports from China
14 were substantial and represented over 353 million
15 pounds each year of the POI. On a market share basis
16 imports from China exceeded one-third of the U.S.
17 market between 2006 and 2008, and rose each year to
18 capture 40.4 percent of domestic consumption in 2008.
19 These imports comprise over 50 percent of U.S.
20 production and again represented a growing share each
21 year of the POI.

22 Imports from China are also significant
23 relative to imports from other countries, comprising
24 over 90 percent of total imports during the past year.

25 An extremely telling indicator of the

1 significance of the growth and volume of imports from
2 China is found in the comparison of subject imports
3 from the cumulated import volume of the five countries
4 subject to the 2003 investigation of PC strand as
5 shown in Chart 1.

6 Subject imports from Brazil, India, Korea,
7 Mexico and Thailand totaled 165 million pounds and
8 accounted for 22 percent of the U.S. demand in 2002.
9 U.S. producers' share of their home market fell to a
10 low of 69.7 percent that year. After the imposition
11 of the orders against these countries, imports from
12 China entered the U.S. market at a rapid pace, rising
13 from 164,000 pounds in 2002, to between 354 and 391
14 million pounds from 2006 to 2008. China's import
15 volumes over the current POI were more than double the
16 cumulated volume of imports in the 2003 investigation.

17 As shown in Chart 2, the market share of
18 imports from China over the POI, which rose from 33.7
19 percent in 2006 to 40.4 percent in 2008, also well
20 surpassed the cumulated share of subject imports in
21 2002.

22 In 2002, imports from the five countries
23 were about half of China's peak share of the U.S.
24 market in 2008. As the share of imports from China
25 arose, U.S. producers' share of the market dropped

1 from 70 percent in 2002 to 56 percent in 2008. The
2 ability of one country, China, to surpass the high
3 injurious volumes of five countries is strong evidence
4 of the absolute and relative import volumes from China
5 over the POI.

6 Although imports from China declined in the
7 first quarter of 2009, the decline was due to a huge
8 buildup of imports from China in U.S. purchasers and
9 importer inventories in late 2008. As Mr. Johnson
10 testified, the import volume decline was not due to
11 any reduced interest by Chinese producers in the U.S.
12 market. The reduction in first quarter simply
13 reflects the huge inventory buildup by imports. As
14 the demand contracted, Chinese product maintained a
15 significant presence in the U.S. market during the
16 first quarter of 2009 in purchasers' inventories.

17 While the mass of Chinese inventories were
18 in the process of being worked down, U.S. producers
19 lost sales and experienced declining revenue in first
20 quarter 2009. Even in the face of weak demand Chinese
21 imports are being aggressively marketed in the United
22 States at low prices.

23 Based on the information from the importer
24 questionnaire, imports from China are projected to
25 increase in the coming months. Imports from China

1 have also undersold U.S. PC strand by substantial
2 margins and have depressed and suppressed U.S. prices.

3 There are few, if any, antidumping
4 investigations that have included more lost sales
5 examples than this one. Most importantly, the record
6 shows that numerous lost sales allegations have
7 already been confirmed by purchasers. Purchasers
8 further admitted switching to Chinese imports from
9 U.S. product due to price, and that U.S. producers had
10 to reduce their price to compete with Chinese import
11 prices.

12 A comparison of the quarterly pricing data
13 recorded in the producers' and importers'
14 questionnaires also shows the vast majority of
15 underselling by large margins. As the data show, the
16 underselling by China intensified in fourth quarter
17 2008 and first quarter 2009. In addition to lost
18 sales data and quarterly pricing comparisons that show
19 underselling by imports from China, averaging value
20 data also show the aggressive and low prices of
21 imports as compared to U.S. producers' prices.

22 The vast majority of PC strand sold in the
23 U.S. market is one-half inch 270 k low-relaxation PC
24 strand. And the Commission recognized in the earlier
25 proceeding that underselling comparisons based on AUVs

1 are probative in this industry. Underselling by China
2 based on AUV comparisons are significant, averaging
3 over 20 percent during the POI.

4 The underselling by unfair imports also
5 suppressed and depressed U.S. producers' prices over
6 the POI. Although U.S. prices generally increased
7 between 2006 and 2008, those increases did not keep
8 pace with raw material costs due to low-price imports
9 from China that drove down and suppressed U.S. prices.

10 In recent quarter PC strand prices began to
11 decline again at a more rapid pace than cost
12 reductions and depressed U.S. prices. In particular,
13 PC strand prices for product one identified in the
14 Commission's questionnaire showed a significant
15 decline from third quarter 2008 to first quarter of
16 2009 by over 25 percent, which is greater than the
17 decline in raw material cost.

18 The result of the rising volume of low-
19 priced imports from China and suppressed and depressed
20 U.S. prices has been the significant decline in U.S.
21 producers' operating income and performance. That's
22 shown in Chart 3. Over the 2006 to 2008 period sharp
23 declines occurred in nearly every trade and financial
24 variable, including production, shipments, capacity
25 utilization, employment, and operating income.

1 U.S. producers have ample capacity to
2 produce PC strand but have lost numerous sales because
3 they cannot compete with the low prices offered by
4 Chinese producers. Most U.S. producers were forced to
5 implement production cutback and temporary shutdowns
6 during the POI due to the declining sales. The
7 production reductions resulted in the permanent layoff
8 of many U.S. workers. These shutdowns and job losses
9 were in addition to the complete closure of two U.S.
10 PC strand producers: PCS of America and EMC in 2007.

11 Although imports declined in the first
12 quarter of 2009, their effect continues to be felt due
13 to the substantial inventory buildup that occurred in
14 the second half of 2008. U.S. producers painfully
15 watched their production and shipment levels fall
16 further in 2009 and suffered from massive unused
17 capacity as displayed in Chart 4.

18 In first quarter 2009, purchasers of PC
19 strand by customers continue to be of the lower priced
20 imports from China as opposed to U.S. product. As a
21 result, domestic producers' profitability deteriorated
22 by about half from 2006 to 2008, and plummeted to a
23 deep loss in first quarter 2009. U.S. producers'
24 capital expenditures also showed substantial decline
25 from 2006 to 2008, and during the interim period.

1 The U.S. industry's financial decline
2 occurred at a time when underselling by imports from
3 China intensified and when U.S. prices were depressed
4 and significant inventories of Chinese PC strand
5 continued to overhang the U.S. market.

6 In addition to the significant injury
7 already inflicted by imports from China, those imports
8 also threaten substantial further injury to the
9 domestic industry. The capacity and production of PC
10 strand producers in China have already increased
11 significantly over recent years and the Chinese
12 industry maintains massive overcapacity.

13 As you heard from Mr. Cornelius, total
14 Chinese production capacity is estimated to be over 3
15 million metric tons, and China has a huge capacity
16 overhang. The Chinese PC strand industry is also
17 expanding rapidly. A number of Chinese producers of
18 PC strands have added new capacity and others have
19 announced plans to add additional capacity, such as
20 Fau Steel which is building a new production capacity
21 in Nondon City.

22 In addition, China's PC strand industry is
23 extremely export oriented and has demonstrated its
24 ability to rapidly increase its share of the U.S.
25 market.

1 The recent imposition of the EU antidumping
2 order on imports of PC strand from China will have the
3 effect of encouraging Chinese producers to redirect
4 exports from EU countries to the United States,
5 leading to further increase in imports.

6 Finally, the Chinese government's policies
7 and tax programs as applied to steel products has
8 resulted in a significant volume of exports of PC
9 strand from China over the POI, and will lead to
10 further increases in imports if duties are not
11 imposed.

12 Thank you for your attention.

13 MS. CANNON: Let me just introduce a couple
14 other members of our panel who will be available to
15 answer your questions: Mr. Richard Wagner, the Vice
16 President and General Manager of Insteel Wire
17 Products; Joseph Napoli, the Product Sales Manger of
18 American Spring Wire Corporation; and Mr. Jeffrey
19 Feitler, the Vice President of Sales and Marketing of
20 Sumiden Wire Products Corporation; and I'm also joined
21 by my colleague Paul Rosenthal of Kelly Drye & Warren.

22 That concludes our testimony and we will be
23 happy to answer your questions.

24 MR. ASCIENZO: Thank you very much for that
25 informative presentation, and we're going to start the

1 questioning this morning with Mary Messer, the
2 investigator.

3 MS. MESSER: Thanks for the panel for
4 presenting your testimony this morning. I appreciate
5 it. It was very informative.

6 Mary Messer, Office of Investigation. I do
7 have a few questions. I guess I would like to start
8 out with Mr. Johnson.

9 You're a purchaser of both domestic and the
10 imported Chinese products?

11 MR. JOHNSON: Yes.

12 MS. MESSER: I noted in your statement and
13 the petition you indicated that during 2006 and 2007,
14 that the domestic industry was able to sell to you at
15 about the same price that the Chinese were selling to
16 you during that time period, but that in 2008, and
17 this is a quote, "the Chinese regularly undersold the
18 domestic, and the imports from China were the dominant
19 share of Suncoast's total purchases."

20 And you indicated today in your testimony
21 that you're appearing with the Petitioner today
22 because of the chaos in the market, and I'm sorry, I'm
23 trying to get my head wrapped around this. Why your
24 company would be in support of duties if this would
25 inevitably cause an increase in price for you?

1 Wouldn't you want to benefit from a lower price?

2 MR. JOHNSON: Currently I'm not benefitting
3 from that lower price. I mean, we're the largest
4 purchaser of PC strand in the United States by a
5 fairly large margin, but there is such a tremendous
6 supply coming out of China into the U.S. that I've
7 lost my purchasing power in that there are guys that
8 are much, much smaller than I, tenth the size of me
9 that are buying strand at prices cheaper than I can
10 buy it for.

11 MS. MESSER: So your competitors then would
12 not be in support of the petition, in other words.

13 MR. JOHNSON: Maybe not, but, you know, I
14 would like pricing that's commensurate with my volume.
15 You know, if I go to buy 10 cars instead of one car, I
16 expect a better price. So me being the biggest
17 purchaser in the market, I expect to have a price
18 commensurate with that.

19 MS. MESSER: Okay. I guess I'll work
20 backwards here. Mr. Cornelius.

21 MR. CORNELIUS: Yes.

22 MS. MESSER: You indicated in your testimony
23 that you've heard that there -- in China that there
24 are plans to circumvent any future order by
25 transshipping?

1 MR. CORNELIUS: Yes.

2 MS. MESSER: Have you heard which countries?

3 MR. CORNELIUS: The countries that we were
4 told might be Malaysia.

5 MR. FEITLER: Vietnam.

6 MR. CORNELIUS: Vietnam.

7 MS. MESSER: Okay. And you had also
8 indicated that the increase in the Chinese capacity
9 you had heard from your suppliers in Europe, right?

10 MR. CORNELIUS: The equipment suppliers that
11 are the predominant suppliers of PC strand
12 manufacturing equipment globally are the sources of
13 that information.

14 MS. MESSER: Okay. Can this production
15 equipment in China be used to produce other products?

16 MR. CORNELIUS: The PC strand equipment in
17 particular, no. It's only used for PC strand.

18 MS. MESSER: Okay. So the capacity building
19 in China that several of you have mentioned in
20 testimony is capacity that is totally dedicated for PC
21 strand?

22 MR. CORNELIUS: That's correct.

23 MS. MESSER: Let's move to Mr. Woltz. Okay,
24 you indicated that perhaps the Chinese -- sorry. In
25 your testimony you were describing the trend in the

1 imports from China, and you had gone back prior to
2 2006. When did the ramp-up in the Chinese imports
3 begin?

4 MR. WOLTZ: I'm not sure I fully understand
5 where you're going.

6 MS. MESSER: You had indicated that imports
7 from China had actually started increasing prior to
8 the period that we're currently looking at, which is
9 2006 through March of 2009, but that the Chinese
10 imports had actually begun increasing before 2006. Do
11 you know when they began to start increasing?

12 MR. WOLTZ: Well, there were virtually no
13 imports of Chinese strand up until 2003, and after
14 2003, the volumes ramped up steadily every year to
15 wherever they peaked, I think, in 2008.

16 MS. MESSER: Okay.

17 MS. CANNON: Let me just add, Ms. Messer, if
18 you look at Exhibit 3 to our petition, we have a
19 volume chart showing imports from China from 2002 all
20 the way through 2008, so you can watch the increase in
21 trend each year, and it grew quite rapidly from 2003-
22 2004, and then between 2004 and 2006, it almost
23 doubled and sustained at that level, but that will
24 give you each annual volume from China.

25 MS. MESSER: So if the imports looked like

1 they really jumped in 2004, why did you wait until
2 now? What did you feel like 2009 was the time to
3 file?

4 MR. ROSENTHAL: In the early years of the
5 Chinese ramp up they were largely displacing the
6 imports from the other countries that had been subject
7 to the previous investigation, and as the Chinese did
8 that and continued to get more aggressive on price and
9 volume that's when the industry began to feel it and,
10 frankly, this industry has done a phenomenal job of
11 essentially retreating into niches and trying the best
12 to maintain its profitability. After a certain point
13 there is no place else to go. There are fewer and
14 fewer niches, fewer places to hide, if you will, from
15 the pervasive presence of the Chinese imports, and as
16 you know, these cases are expensive. You may have
17 heard that, at least, and the industry has been trying
18 to resist bring this case but felt it had no choice at
19 this point.

20 MS. CANNON: The other thing that we did
21 that Mr. Selhorst testified as try to undertake a
22 different method of going after these Chinese
23 government tax policies that we described through the
24 U.S. Trade Representative's Office, and the industry
25 worked with them very closely for a long period of

1 time in an effort to address some of these problems
2 that way as an alternative to having to pursue another
3 trade remedy case, but that was unsuccessful, so
4 that's part of the action that we took initially to
5 try to address this problem.

6 MS. MESSER: Okay. Can you briefly touch
7 on, I understand the market shares increase, but
8 volumes have declined. Can you briefly touch on that
9 since that was also in the opening statement from
10 Respondents?

11 MS. CANNON: Sure. First of all, I guess I
12 would say legally as you know volumes don't have to
13 increase to be able to prove injury in a trade remedy
14 case. The significance of absolute volumes is
15 sufficient. And when you capture a 40 percent share
16 of the U.S. market, by any standard that's
17 significant, and they have gone up in market share
18 from about 33 percent in 2006, all the way to 40
19 percent. So they have captured a huge market share
20 alone even if you were to just look at that on that
21 basis.

22 But beyond that we're looking at a period
23 where demand declined and they were capturing an
24 increasing share of the market over those three years,
25 so it's not simply the increase, it's also the huge

1 absolute volume level that is the cause of injury
2 here.

3 MR. ROSENTHAL: I would add one other thing
4 and that is, even if volume stayed the same, even if
5 they went down, it's the domestic industry's response
6 to the aggressive Chinese pricing is, as you have
7 seen, has been to lower price to try to maintain some
8 sales, and they have been able to do that even with
9 someone as sophisticated as Mr. Johnson at Suncoast.
10 But part of the injury here is not just volume-
11 related, it's price-related and the loss of revenues
12 from price suppression and depression is a key part of
13 our case.

14 MS. MESSER: I had a question for Mr.
15 Selhorst. You had briefly gone over the uses of PC
16 strand. Are there other uses for PC strand other than
17 for prestressing concrete? And if there are, are
18 imports of these products also covered by this scope?

19 MR. SELHORST: You know, I might actually
20 defer to some of the others. There are a few smaller
21 subsets for PC strand, like maybe guy strand, but
22 they're small.

23 MR. FEITLER: They're very small, 99 percent
24 of the application is posttension and prestressing --
25 oh, I'm sorry. In my opinion it's very little usage

1 of PC strand for anything other than posttensioning
2 and prestressing. Someone might use for roof mining
3 bolts, but it represents less than half of one
4 percent.

5 THE REPORTER: Could you please identify
6 yourself?

7 MR. FEITLER: Excuse me?

8 THE REPORTER: Could you please identify
9 yourself?

10 MR. FEITLER: Sorry. Jeffrey Feitler,
11 Sumiden Wire Products Corporation.

12 MR. SELHORST: May I amend a comment that
13 Tim made and answer your question earlier? Just as a
14 domestic industry participant, I also think I know Tim
15 has said this to me, he would like to have some
16 semblance of a U.S. based industry supplying PC strand
17 to support his needs going forward, and he can concur
18 with this, I hope he will. I think he recognizes the
19 unhealthy state of the situation, and a continued set
20 of circumstances like this will eliminate a U.S. based
21 industry, and I think Tim recognizes that's going to
22 be very unhealthy for his purchasing situation.

23 MR. JOHNSON: That's absolutely true. I
24 mean I would prefer to buy domestic. You know, not
25 100 percent, but 80 percent of my needs I would like

1 for them to be served by the U.S. industry. And
2 there's been times, you know, in the past where we've
3 had that arrangement, in years past where they were 75
4 to 80 percent of my supply.

5 MS. MESSER: Okay, thank you. I'd like to
6 move to look at the import statistics. Like you've
7 said the overwhelming majority of total U.S. imports
8 of PC strand are coming from China. The next largest
9 source when I look at the import stats is Canada. Are
10 there companies in Canada producing PC strand, and if
11 so who are they?

12 MR. CORNELIUS: Yeah, one company, Beckert
13 Tiden, produces PC strand.

14 MR. SELHORST: They're in British Columbia.

15 MR. ASCENCIO: I'm sorry, could you please
16 try to identify yourself before you speak once again
17 for the court reporter? Thank you very much, I'm
18 sorry.

19 MR. SELHORST: So this is Tim Selhorst. So
20 one would be Tiden Beckert in British Columbia.
21 Another one would be a steel wire plant of Mital
22 that's in Hamilton, Ontario. I'm not aware of any
23 others.

24 MR. FEITLER: Those are the only two, and
25 they're relatively small. They do export to the

1 United States, they have been for many years, not
2 disruptive, significantly higher pricing than the
3 Chinese or any other foreign importer. Most of their
4 production is for their own country.

5 MS. MESSER: Does Sun Coast purchase the
6 Canadian product?

7 MR. JOHNSON: No, we don't purchase any
8 Canadian product.

9 MR. FEITLER: I would also like to add that
10 their exports to the United States stay within
11 somewhat of a reasonable region and territory, such as
12 British Columbia. They don't even come into
13 California, it's rare. They stay in the Pacific
14 Northwest.

15 MS. MESSER: And they're at higher prices
16 you said?

17 MR. FEITLER: Higher prices than the --

18 MS. MESSER: Than the domestic?

19 MR. FEITLER: At times, yes.

20 MS. MESSER: Okay, higher prices than the
21 Chinese and other imports?

22 MR. FEITLER: Of course.

23 MS. MESSER: And the same end uses?

24 MR. FEITLER: Yes.

25 MS. MESSER: Okay. In one of the past

1 related Commission investigations on PC strand, one of
2 the respondents argued that the import stats were
3 unusable because of misclassification of the
4 merchandise. Is that still going on or are the import
5 stats reliable?

6 MS. CANNON: As far as we know the import
7 stats on China are reliable. We haven't seen any
8 indication that there is any problem with the
9 statistics that we've been looking at.

10 MS. MESSER: Okay, real quickly like to
11 touch on the buy America restriction, if you could
12 discuss the importance of that in this case, the
13 effect on domestic consumption, of those restrictions?

14 MS. CANNON: Before the industry members
15 address from their perspective I would just like to
16 clarify. Respondent's counsel asserted that there had
17 been a tremendous shift in the percentage of buy
18 America in this industry from the past cases. In the
19 past cases it was about 30 percent of the market, and
20 he said it was now 50 percent of the market, but we've
21 calculated the percentages from the questionnaire
22 responses submitted to you, and in 2008 it was again
23 30 percent, it was like 29.9. So basically it is
24 exactly the same share as it was last time percentage
25 wise. But I'll let the industry members address it

1 further if you'd like.

2 MS. MESSER: Okay.

3 MR. CORNELIUS: Yeah, our experience has
4 been the same, it's about 30 percent. And I think if
5 anything that's a high side estimate because some
6 customers who have projects that are buy American
7 mixed with other non-buy American projects for the
8 sake of inventory management choose to buy all buy-
9 American compliant material, since the product visibly
10 is the same, for their own inventory management
11 practices. So the 30 percent that we report because
12 that's our best information the way strand is
13 purchased from us probably represents even a high side
14 estimate of what the actual buy American percentage is
15 of the end use.

16 MS. MESSER: Okay, thank you. Quickly a
17 question on the covering and coating of the strand.
18 Do all the domestic produces cover or coat their
19 strand?

20 MR. WOLTZ: Speaking for Insteel, we coat
21 strand with epoxy as an in-house process, it counts
22 for less than one percent of our sales, it's a
23 reasonably small, highly specialized operation. We
24 have from time to time total coated strand with grease
25 and plastic for special applications, but again very

1 small percentages of our revenues are derived from
2 those activities.

3 MR. SELHORST: Yeah, American Sprinwire does
4 not coat, we do not do epoxy coating and we leave the
5 plastic coating and greasing to Tim who does it in his
6 operation, so we just sell bare strand.

7 MS. MESSER: Okay.

8 MR. CORNELIUS: And John Cornelius here with
9 Sumedin. And we do epoxy coat, the same process that
10 Insteel does. We do not do the grease and wrap
11 coating process. But similar to Insteel, the epoxy
12 coat represents a very small percentage of our overall
13 sales.

14 MS. MESSER: Okay, what about the Chinese
15 product, is that imported covered or is it all
16 imported bare?

17 MR. FEITLER: Well, at this time the
18 majority is bare strand as far as I know. What I am
19 told, each and every producer or almost each and every
20 producer in China has the ability to coast themselves
21 and I believe it could be substituted as bare strand,
22 which would threaten our business as well as Mr.
23 Johnson's business.

24 MS. MESSER: And the Canadian product, do
25 you know if that's coated?

1 MR. FEITLER: The Canadian products, both
2 mills are only bare strand.

3 MS. MESSER: Okay. I'd like to talk about
4 the inventories held. Do the domestic producers
5 produce primarily for inventory stocking or do you
6 produce to customer orders?

7 MR. SELHORST: This is Tim Selhorst. Our
8 business is somewhat seasonal, so in winter months
9 when demand is lower we will be building inventory to
10 support sales in excess of capacity in summer months,
11 under normal operating conditions. So it depends on
12 the season. Often times we're making to order during
13 the summer season, and during the winter season we're
14 making to a stock.

15 MS. MESSER: When you produced inventories,
16 is it distinguishable as far as application for a pre
17 or posttensioned?

18 MR. SELHORST: No, it's all the same.

19 MS. MESSER: Okay. And I have one last
20 question. Ms. Cannon, in your opening remarks, you
21 indicated that there had been some idled facilities.
22 If you could list those out for us, the names and
23 dates, it would be nice to have that in one place.

24 MS. CANNON: We'll be happy to do that in
25 our posthearing brief.

1 MS. MESSER: Thank you.

2 MR. ASCENCIO: Thank you very much. And we
3 turn to Peter Sultan.

4 MR. SULTAN: Thank you. I'd like to come
5 back to the buy American issue. Are these
6 requirements or just preferences? And are they
7 Federally mandated or also state and local
8 requirements? Could you elaborate on that a little
9 bit please?

10 MR. FEITLER: Jeffrey Feitler again at
11 Sumiden Wire Products. It's a combination of both.
12 We do have customers that prefer domestic strand, they
13 call it, just send us buy American, which may not be
14 used specifically for a 'buy American' project. So
15 it's a mixture. And that's why Mr. Cornelius said
16 that on the high side the 30 percent which we estimate
17 is on the high side. It's hard to really decipher
18 exactly what is pure buy American. My personal
19 opinion, it's less than 25 percent.

20 But what I'm seeing, and I have the
21 opportunity as a sales person to be out in the field
22 visiting customers, is that these customers who say,
23 just send me buy American because I don't want to have
24 a mixed inventory, that is disintegrating, that is
25 disappearing quickly because of the large price

1 difference now. They now will carry two inventories
2 because of the large price.

3 Years ago, if there was a 2, 3, or 5 percent
4 price difference, they would just buy domestic strand
5 and use it for commercial applications or non-buy
6 American applications. So it's a mix. It's my
7 estimate in my travels in the field that it's less
8 than 25 percent. We also have opportunities where we
9 have to test, sample, and even identify material for
10 specific buy American jobs, and that's where I can
11 relate to and estimate that the tonnage that we report
12 for buy American is less than the 25 percent. But as
13 we report it in our actual sales, it's 30 percent.

14 MR. WOLTZ: Could I maybe shed just a little
15 more light on that? At least from Insteel's point of
16 view, if you consider that most of the material that
17 is required to be certified as buy America compliant
18 goes into Department of Transportation projects of one
19 sort or another, and a large portion of this is coming
20 from precasters, and if you think about a precaster
21 who has two different market segments, perhaps 75
22 percent of his work is done in the DOT buy America
23 compliant market, but he is also capable of producing
24 commercial structures such as components for office
25 buildings, parking decks, that have no buy America

1 requirement.

2 That producer may elect, or in times past
3 may have elected to purchase all material compliant
4 with buy America so he didn't have the mixed inventory
5 issue to deal with in his yard. As Jeff points out,
6 there is some erosion of that thinking going on as the
7 price differential between domestic strand and Chinese
8 strand has widened. There is more potential payback
9 for maintaining the headaches and undertaking the
10 administrative challenges of maintaining separate
11 inventories. So I think that's the process that is
12 underway in the market right now.

13 MR. CORNELIUS: John Cornelius here, and to
14 address one of the other questions you had whether
15 there's a state mandated or a Federally mandated.
16 It's all Federally mandated to the best of my
17 knowledge. I'm not aware of any separate state
18 regulations for buy American. The way it gets
19 determined to my knowledge is when there's Federal
20 money involved in the project, then the buy American
21 restrictions are in place, if it's a completely state
22 funded project then there are no buy American
23 requirements in that case.

24 MR. SULTAN: Okay, is it at all likely that
25 the proportion of the market that is buy American

1 mandated might go up as Federal stimulus spending sort
2 of kicks in.

3 MR. WOLTZ: H. Woltz at Insteel. I doubt
4 that because the buy America regulations with respect
5 to transportation products I think have their origins
6 in 1932, and they are rigorous, they have been
7 enforced over the years and respected by the industry
8 over the years. And so to the extent that the
9 stimulus dollars are targeted toward infrastructure
10 and transportation projects, there's no incremental
11 buy America impact there other than what may happen
12 through just the dollars themselves growing some. But
13 this expansion of buy America that you've read so much
14 about that's caused concerns for worldwide trading
15 partners will have no impact as far as I see it on the
16 DOT related buy American segment of the market here in
17 the United States.

18 MR. CORNELIUS: John Cornelius here. I
19 would agree with that assessment. We don't expect any
20 noticeable improvement.

21 MR. FEITLER: And I think it's simple to say
22 because there has been a buy American in place already
23 for our product and the infrastructure.

24 MR. SULTAN: Okay, let me turn to a
25 different subject, and that is cost and price

1 differences between coated and uncoated strand. Could
2 you give me some estimate of those differences? I
3 mean the cost component accounted for by coating and
4 price differences between coated and uncoated strand?

5 MR. JOHNSON: Tim Johnson here with
6 Suncoast. For grease and plastic coated, the
7 incremental cost is in the neighborhood of 4 to 4.5
8 cents per foot.

9 MR. SULTAN: On a percentage basis of the
10 total cost, what would that account for?

11 MR. JOHNSON: Well, I mean that's a number
12 that's been pretty steady, so it swings with the way
13 the cost of the strand moves. You know, currently
14 that's probably about 20 to 25 percent.

15 MR. SULTAN: Okay, and is there also a 20 to
16 25 percent difference in price for the product?

17 MR. JOHNSON: If you buy it coated versus
18 buying it bare?

19 MR. SULTAN: Yes.

20 MR. JOHNSON: I do all the coating myself,
21 so I'm not familiar with what coated prices are right
22 now.

23 MR. SELHORST: We don't sell coated strand,
24 greased and plastic coated strand, but I think that
25 the price differential there is de minimus.

1 MR. SULTAN: Mr. Woltz, did you have
2 anything to add on that?

3 MR. WOLTZ: I really don't know the answer
4 to the question because as Tim points out, large
5 consumers coat the strand and we generally stay out of
6 that business. The small part that we have done has
7 been for offshore markets, Puerto Rico most recently.
8 So I'm afraid I just don't know.

9 MR. SULTAN: Okay, that's all I have. Thank
10 you very much.

11 MR. ASCENCIO: Thank you very much. We turn
12 to Josh Levy.

13 MR. LEVY: Joshua Levy, Office of Economics.
14 I guess I'd like to start off with a few questions on
15 demand. I believe that Mr. Selhorst was talking
16 initially in testimony about the end uses that, I
17 guess one of the main ones would be the slab on grade
18 and I guess maybe some other more commercial
19 construction. Could you just give me like a general
20 idea of like what would be the largest end uses for PC
21 strand? You know, what are the largest end use
22 segments? And if others want to add to that. I'm
23 sorry, for the U.S. market.

24 MR. SELHORST: Hi, Tim Selhorst. So I guess
25 if you're talking about highway construction type

1 structures, those are casted eye beams or casted road
2 decks, that would be a major end use. Slab on grade
3 would be for the housing industry. That's a
4 posttension application so you're actually pouring on
5 the ground a cast structure that's posttensioned by
6 strand. The commercial construction market uses a
7 double T structure that's used for parking decks.
8 Stadiums are a common use for PC strand, large
9 structural beams, concrete forms used in commercial
10 construction projects like stadiums.

11 MR. FEITLER: I just want to follow up on
12 Tim.

13 These are the commercial applications of
14 both precast and post-tensioning. Residential during
15 our residential boom was a big part of the application
16 for sure.

17 MR. CORNELIUS: John Cornelius here. You
18 know, since the Chinese imports represent about 40
19 percent of the apparent demand here in the U.S., and
20 the vast majority of those imports, turn to Tim
21 Johnson to confirm this, but the vast majority of that
22 imported strand goes into the slab on grade market.
23 So I guess if you consider 40 percent of the market
24 coming into the U.S. and the vast majority of that
25 goes into slab on grade, I think that's been one of

1 the largest single end uses of PC strand over the last
2 few years.

3 MR. JOHNSON: Tim Johnson here. That's
4 correct, approximately 65 percent of our business goes
5 to ground supported slabs or slabs on grade. The
6 remaining 35 percent of that are commercial buildings,
7 high rise, those types of items, parking decks.

8 MR. LEVY: Okay, so it sounds like you're
9 saying that the majority of the imported Chinese
10 product is going into slab on grade, which I guess
11 would be more for the residential construction. Do
12 you see Chinese, you know, the imports going into the
13 other, the larger more commercial construction and
14 highway construction? I mean some of that would
15 probably be restricted by buy American.

16 MR. FEITLER: Jeff at Sumiden Wire. I see
17 tremendous penetration of the Chinese strand going
18 into what we, I guess you can consider 10 15 years
19 ago, to non traditional sources. Not only into
20 precast and even bridge infrastructure. We used to
21 years ago probably enjoy the majority of
22 infrastructure sales or purchasing. And we're losing
23 that. I had provided, and I think maybe in a brief it
24 will be provided later if it hasn't been provided
25 already, one of our big customers on the west coast

1 who would buy 100 percent of their infrastructure from
2 Sumiden.

3 I estimate now our sales to them is 50
4 percent or perhaps less. So there is quite a bit of
5 infrastructure that is not buy American. Getting into
6 the precast commercial side as we call it, non-buy
7 American in the parking structures, not the slab on
8 ground, this is elevated construction, parking
9 structures, condominiums, hospitals, not only are the
10 Chinese aggressively pursuing this market, which was
11 typically nontraditional for the imports, the imports
12 basically liked to sell in large quantities, large
13 volumes, Tim Johnson is a large buyer, but we're
14 seeing the Chinese in all corners of the country.

15 I see them in Iowa, Montana, customers that
16 buy maybe just one truckload per month. I visit a
17 customer and he has three truckloads of Chinese
18 strand, he's set for three months because of price.
19 So they've been very aggressive infiltrating and
20 penetrating what I call the nontraditional customers
21 of the imports.

22 MR. SELHORST: This is Tim Selhorst, just to
23 add to the answer to your question. Tim represents
24 slab on grad, a commercial construction application
25 and a sizeable one, probably the largest part of his

1 business, certainly not the only one that's usable for
2 Chinese PC strand. Any non-buy American commercial
3 construction application can use Chinese PC strand.
4 There may not be one particular buyer as sizeable for
5 those applications like Tim, but there are many
6 others.

7 MR. WOLTZ: And maybe if I add one thing,
8 that you've heard about different parts of the market
9 including the buy America segment of the market, and
10 even where there are strict requirements for buy
11 America, I would submit that Chinese pricing has
12 affected the prices in the strict buy America segment.
13 The pressure that is coming all around it has
14 certainly bled over into strict buy America compliant
15 product.

16 MR. LEVY: Okay, actually that just goes to
17 kind of a general question I had, and to the extent
18 that the producers can answer this publicly, how you
19 determine your prices, how you set your prices to your
20 customers? And obviously a lot of it will be
21 confidential, but if you could generally talk about,
22 you know, do you go in with kind of a cost plus or is
23 it really much more focused on what you're seeing, you
24 know, day to day market prices?

25 MR. SELHORST: This is Tim Selhorst. Mr.

1 Levy, I guess it would be more of a cost minus program
2 at this point.

3 MR. LEVY: Oh, okay.

4 MR. SELHORST: It's all market driven.
5 Getting back to Mr. Woltz's comment though, Tim buys
6 small amount of buy American, very small amount, but
7 can you imagine the awkward conversation? I mean he
8 knows, we make it the same way, I mean the stuff
9 doesn't look any different, doesn't smell any
10 different than what's coming from China, it's the same
11 manufacturing process, although we're driven by market
12 forces and they're not. So I mean for me to try to
13 make an argument with Tim that suddenly he should be
14 paying double for a piece he's got coming from me
15 because it's got this BA requirement on it is a
16 difficult argument to make. So it certainly does have
17 an influence with buyers that buy both.

18 MR. JOHNSON: Tim Johnson here. I would add
19 about the price setting for these guys, I mean it's
20 clearly market driven in that, you know, I've got a
21 need and that need is X number of tons and I put that
22 out to numerous people. And, you know, that's where
23 the price gets set. These guys have an opportunity,
24 you know, this is the price level, this is what's
25 available, do you want any of this supply from me? I

1 mean that's what's driving the price.

2 MR. LEVY: Okay, so when you're dealing with
3 them there is the back and forth, you'll come to them
4 with an opportunity and get their prices and you'll
5 say, well you have to come close to these competing
6 prices from Chinese or whoever?

7 MR. JOHNSON: Absolutely.

8 MR. LEVY: Okay, and you also like Mr. Woltz
9 and Selhorst were saying, that that would impact your
10 purchases of the buy American in that you'd say, you
11 have to get somewhere into the ballpark?

12 MR. JOHNSON: Absolutely. I mean, you know,
13 I practically grew up in this industry. You know, I'm
14 familiar that there's really no difference in those
15 two products, so if I've got a buy American job, for
16 them to come to me wanting a huge differential, that's
17 not going to fly.

18 MR. LEVY: Okay, to get back to the demand
19 questions a little bit, one thing I think we'll
20 probably have in our section is we'll try to have some
21 indicators to try to get an idea of what demand is
22 doing and potential future demand. And, I mean I
23 guess one thing we could look at would be housing
24 starts, but are there other kind of public indicator
25 or other indicators that you would look at in trying

1 to get a feel for where demand is and where demand is
2 going? To the producers.

3 MR. WAGNER: This is Richard Wagner with
4 Insteel. I would say the biggest indicator of demand
5 for PC strand in Insteel's opinion has been
6 nonresidential construction in total, and then that's
7 affected, you know, by some amount of how residential
8 is doing.

9 MR. LEVY: Okay, I think the last question I
10 have would be on the impact of raw material prices,
11 steel rod prices I presume, on your pricing. And
12 obviously it would, you know, also the impact on
13 operating margins. But if you could just give me a
14 little idea of what the trends in the steel wire rod
15 prices how that's impact your prices for the PC strand
16 and any kind of projections you have of the future.

17 MR. SELHORST: Tim Selhorst. Yeah I'll be
18 glad to give you some idea of this. This has been
19 quite volatile over the period of investigation. Wire
20 rod, semi-finished steel products sold from steel
21 mills, makes up the vast majority of the cost of
22 producing our product. If we intend on having any
23 margin, particularly in the case of volatile steel
24 prices, we have to try to recover steel based
25 increases.

1 The price of steel in 2008 for wire rod,
2 from late 2007 until about August of 2008 doubled. We
3 had to try to recover that, and we weren't able to
4 recover it to the extent that the prices went up.
5 Since that time the prices has fallen back in half.
6 So the volatility of steel in a market based economy
7 making this product substantially impacts our pricing
8 and profitability. We have to be able to pass those
9 increases on.

10 MR. WOLTZ: I might just add that we're
11 frequently asked the same question by other outside
12 parties or a similar question. And I would agree with
13 Tim that with wire rod being such an enormous
14 component of cost, no one can afford to ignore
15 movements in wire rod. But neither would it be true
16 to say that just because wire rod costs change that we
17 have the flexibility to change our prices.

18 At the end of the day, you can't generalize
19 saying that high wire rod prices are better than low
20 wire rod prices. It all comes down to the balance in
21 our end market, and will the market based pricing
22 mechanisms that are out there allow us to raise
23 prices? And clearly in environments where we are
24 forced to acknowledge low Chinese prices on a day to
25 day basis, there's a huge suppression of our ability

1 to pass through wire rod costs.

2 MR. LEVY: Okay, those are all the questions
3 I have.

4 MR. ASCENCIO: Thank you very much. We now
5 turn to Mary Klir.

6 MS. KLIR: First I would just like to thank
7 this panel. It's very informative. I just have one
8 request for counsel. In your postconference brief,
9 please analyze the cost data provided by Petitioners
10 on their PC strand operations during the period of
11 investigation and explain any differences among these
12 firms' costs and trends in costs on a per unit basis
13 and as a ratio to sales. That's all. Thank you.

14 MS. CANNON: Thank you. We'll be happy to
15 do that.

16 MR. ASCENCIO: Thank you very much. We turn
17 to Jeremy Wise.

18 MR. WISE: Hello. I'd like to thank the
19 panel for coming in today too. I just have two
20 questions. Is the production process an integrated
21 process from rolling, descaling, and stranding through
22 coating if you have the capability or are there
23 certain stages at which the PC strand actually begins
24 the production, say after rolling and prior to
25 stranding?

1 MR. SELHORST: This is Tim Selhorst. We all
2 manufacture a little differently. I would say the
3 most common process would be to receive the semi-
4 finished wire rod, to clean it in a batch cleaning
5 house process, to take it through wire drawing which
6 reduces the size of the wire rod, to take it into the
7 stranding operation where it is stranded and then it
8 is stress relieved using a heater, and then it's
9 packaged and shipped.

10 MR. WISE: So there wouldn't be any strander
11 out there that purchases the high carbon wire, strands
12 it, then stress relieves it, necessarily?

13 MR. SELHORST: The wire drawing to my
14 knowledge is always done in a separate operation from
15 the stranding. You can't take wire rod and
16 immediately strand it.

17 MR. WISE: I understand that, but there
18 wouldn't necessarily be someone that goes and
19 purchases wire, a strander per se, that purchases wire
20 separately, puts it on their strander, strands it to
21 produce the PC strand?

22 MR. SELHORST: There are some examples of
23 that. Actually I think the two companies that were
24 mentioned earlier that were in the United States that
25 are no longer in business were doing just that. But

1 it's not a common practice.

2 MR. WAGNER: Yeah, that's correct, it's not
3 a common practice. It was attempted by a Mexican
4 company that set up a strander in Texas and then moved
5 wire shortly after the previous case, but it didn't
6 last a long time. It's sort of impractical.

7 MR. WISE: Okay, thank you.

8 MR. WAGNER: But it can be done.

9 MR. WISE: Thank you. My second question
10 was, in pre-tensioning, where does that occur? Does
11 it occur on the construction site at the end use or
12 can it be done prior at a fabrication site and shipped
13 to the end site?

14 MR. WOLTZ: It is generally performed in a
15 factory off site. It could be performed on a job site
16 but that's unusual. It's typically in a factory
17 setting.

18 MR. WISE: And the reverse for post-
19 tensioning would also be true, it's mostly done at the
20 construction site not at a fabrication site?

21 MR. WOLTZ: Correct.

22 MR. WISE: Thank you. That was all my
23 questions.

24 MR. ASCENCIO: Thank you very much. And now
25 we turn to Douglas Corkran.

1 MR. CORKRAN: Thank you. And I particularly
2 wanted to thank the panel, it was a very informative
3 presentation, it was very helpful. Many of the
4 questions that I had have already been asked so I
5 hopefully just have a few. Looking first at demand, I
6 was hoping maybe somebody could elaborate on something
7 that I had read that PC strand has both a cyclical and
8 a seasonal element to its demand. Would anybody like
9 to elaborate or correct that perception?

10 MR. WOLTZ: That sounds awfully familiar,
11 and I would submit that it's correct. Cyclical in
12 that it's a construction material and all construction
13 markets are cyclical. Seasonal in that construction
14 sites are more active in better weather than they are
15 in wet and cold weather. But I think it fairly
16 characterizes the market for the product.

17 MR. JOHNSON: Tim Johnson here. I can
18 confirm that. I mean our usage of PC strand is in
19 fact seasonal. Late March through September, those
20 are the heavier usage times.

21 MR. CORKRAN: Thank you, and does that vary
22 somewhat by region? I mean do different regions of
23 the country perhaps have somewhat different
24 applications that might change the seasonal nature a
25 little bit or is that fairly general across the

1 country?

2 MR. WOLTZ: There are not different
3 applications regionally, but there are different
4 levels of how hospitable the climate is for carrying
5 out these activities.

6 MR. CORKRAN: Okay. Thank you, that's very
7 helpful. I wanted to touch briefly on buy America and
8 buy American provisions. We've already had several
9 questions on it, but I wondered if anybody could touch
10 on whether those provisions are more prevalent for
11 pre-tension customers or post-tension customers?

12 MR. WAGNER: Those provisions, they exist in
13 both. And with the pre-tensioners, you know, if
14 they're making a highway girder or a product that
15 winds up in a highway it's more likely to have it.
16 Among posttensioning, on the nonresidential side of
17 post-tensioning where they might be post-tensioning a
18 bridge or that sort of a application, then you'll have
19 a buy America requirement.

20 MR. CORKRAN: But is it fair to say that the
21 proportions among the two are very different even
22 though there are applications within the post-tension
23 customer base that could be subject to buy American
24 provisions, would it tend to be more prevalent among
25 pre-tension customers?

1 MR. FEITLER: Jeff Feitler with Sumiden
2 Wire. In my opinion it's about the same. It could
3 differ perhaps on the west coast, for some reason in
4 California the Department of Transportation designs
5 and prefers post-tension box quarters as they call it,
6 but I think in other parts of the country it's about
7 the same. Post-tensioning, prestressing, buy American
8 I think they share about the same percentage.

9 MR. SELHORST: We see that similarly.

10 MR. CORKRAN: Thank you. That is focused on
11 Insteel. One of my questions is, can you elaborate a
12 little bit on a business decision that's been widely
13 reported and is present in your own documents.

14 You essentially in 2007 made a decision to
15 solicit less actively business among post tensioners.
16 Can you go into the reasoning a little bit more on
17 that?

18 I'd also like to throw it open to the other
19 domestic producers. Have any of your companies made a
20 similar active decision not to pursue certain
21 customers for whatever reason?

22 MR. WOLTZ: For Insteel's part I'd like to
23 tell you there's a lot of sophisticated analysis that
24 underlies our withdrawal from the post tension market.
25 Tim Johnson was our largest customer for many years

1 and we virtually do nothing with him now.

2 The reality is, it's not a sophisticated,
3 analytical exercise. We just couldn't afford to
4 compete with the Chinese prices. We tried. It seemed
5 that when we would become competitive with Chinese
6 prices, the next call we made to find out what was
7 going on in the market, the price had fallen another
8 five or ten dollars a thousand feet and we just got to
9 the point where it was obvious that we were going to
10 be shipping cash with every truckload of strand. And
11 because it had been a very, the post tension market
12 had been very important to Insteel representing 14
13 percent of our consolidated revenues, not PC strand
14 revenues, consolidated revenues, when we walked away
15 from the market we knew that it was going to be
16 obvious to our public investors and that we had to
17 explain why we were doing it.

18 We didn't want to walk away from the market
19 share that we had built over the years, however, so
20 our initial reaction was let's go to China and let's
21 import this material, maintain our customer
22 relationships and our market share, and wait for
23 another day until we can play again with our domestic
24 production. It just never happened.

25 So we did go to happen. We did make a

1 couple of initial import transactions, but after
2 having completed those cycles we just found that it
3 was impossible to play that game successfully also.
4 The prices kept falling and falling and the material
5 in transit that we had was worth less when it arrived
6 than it was when we initially purchased it. It's just
7 a game that we just couldn't find a winning strategy.

8 MR. WAGNER: This is Richard Wagner with
9 Insteel. If I could clarify one thing in that
10 question, though. Although our explanation to our
11 investors was that we withdrew, the truth is, and Mr.
12 Johnson will verify this, we continued to monitor the
13 situation and to continue to make it clear to Mr.
14 Johnson that we wanted to do business with Suncoast
15 and with the other customers in the post tension
16 business from which we had been forced out.

17 So it wasn't that we did not continue a
18 business relationship with them. We very much did
19 that.

20 MR. JOHNSON: That's true. As those prices
21 deteriorated, I can't afford to pay an incremental
22 amount over what's in the marketplace. I'm losing, on
23 a single family house where we're delivering a cable
24 package, I'm losing business for \$6 on a house. A
25 house that you'd buy for \$200,000, I'm losing business

1 for \$6 on that cable package that's less than a half a
2 cent a foot. There's no way that I could continue to
3 do business domestically at the pricing differential.

4 MR. NAPOLI: Joseph Napoli, American Spring
5 Wire.

6 We probably have the closest facility to any
7 of Mr. Johnson's plants in Houston, Texas, and
8 regularly I called on Mr. Johnson and it got to the
9 point where here we are probably less than 15 miles
10 from his facility and we just could not compete with
11 the Chinese pricing. You reach a decision where you
12 just can't compete because of that price.

13 MR. CORKRAN: Thank you very much for your
14 responses.

15 I'd like to stay with Insteel a little bit
16 longer because you touched on one of my next
17 questions, there was some reporting of what I think
18 was called a pilot program, described as importing
19 wire material. Is that what you were referring to?
20 And roughly how long did that last? It appeared to be
21 roughly over the duration of 2007, but what was that
22 program?

23 MR. WOLTZ: It was in fact called a pilot
24 program because we wanted to try it out and see how it
25 worked before we committed a lot of time and a lot of

1 capital to the program.

2 My recollection is that we made our initial
3 purchases sometime in the second calendar quarter of
4 2007 and we received the initial deliveries around
5 August 2007. I think we had one subsequent shipment,
6 but in fact the pilot program wound up being about
7 half the size that we originally envisioned it just
8 due to the mess that was in the market and our quick
9 realization that we couldn't add value and we couldn't
10 reduce prices fast enough to keep up with what was
11 happening from the real Chinese importers.

12 MR. CORKRAN: This is something of an off
13 the cuff observation, but your testimony sounds
14 actually a little bit like Mr. Johnson's in terms of
15 comparing the prices that you were able to obtain
16 versus other prices for Chinese material in the
17 market, that they were either comparable or lower
18 prices.

19 I'd like to ask a few questions about
20 supply. One of the points that was emphasized was
21 that there was plenty of available capacity among PC
22 strand producers.

23 Did you over the course particularly of 2008
24 but maybe even into 2009, even if you had production
25 capacity available, what was the supply availability

1 of wire rod during this time? Were you finding that
2 you were on controlled order entry? Were you having
3 problems with either domestic or import sources of
4 supply for wire rod? I'm just trying to gauge how
5 available the capacity really was.

6 MR. SELHORST: This is Tim Selhorst.

7 Over the course of 2008 and 2009 wire rod
8 sourcing has been plentiful so it's not been an issue.

9 MR. CORKRAN: Is that a fairly common
10 experience, that wire rod was plentiful during 2008?

11 MR. WOLTZ: Is the question '08 or the
12 entire period of investigation?

13 MR. CORKRAN: Mostly focused on 2008.

14 MR. WOLTZ: There certainly was a period of
15 time in Insteel's experience where wire rod was tight
16 for a few months. We did see sharply escalating
17 prices in scrap that flowed through to rod. We were
18 on allocation from our suppliers for a period of time.
19 That situation resolved itself relatively quickly and
20 I would call it a blip at this point. The condition
21 today is obviously ample internal capacity and ample
22 raw material supply.

23 MR. CORKRAN: One of the earlier questions
24 dealt with the cost of wire rod that you were
25 purchasing for your production of PC strand. It was

1 described as being volatile. Perhaps another way of
2 looking at it is that it appeared to be increasing
3 fairly noticeably over portions of 2008 at least.

4 What are the implications for that when your
5 raw material is volatile, to say the least, but if
6 it's increasing overall what are the implications for
7 your own pricing and profitability in terms of sales?

8 MR. SELHORST: We can talk about it more
9 specifically in a brief.

10 Generally, as I said, the cost of wire rod,
11 the percentage of the cost of wire rod in the products
12 is substantial. If you're not able to keep up with
13 increases, you'll go out of business. You will lose
14 money very quickly. So it is necessary to keep pace
15 with the increases in wire rod.

16 You can't do that if you're faced with
17 competition that refuses to follow along with that
18 pace of increases. In that case it was imports. We
19 certainly struggled with that. You can see it in our
20 operating income percentages.

21 MR. FEITLER: One of the problems in sales,
22 too, that we experience is we try to limit the time
23 period in which we quote, the extension, but we have
24 the imports in many cases quoting three months, six
25 months out. I don't think they know what their costs

1 are six months from now. We certainly don't. So it's
2 difficult. It's a problem.

3 MR. SELHORST: Actually to that point, we
4 just did receive or did note a competitive quote from
5 a Chinese importer for strand that will be delivered
6 in the first quarter of 2010. The price has been set.

7 If there's a period of wire rod based steel
8 increases between now and 2010 there's no way for an
9 American producer to take that risk. No way. I
10 believe that's being included, that quote.

11 MR. CORKRAN: I very much appreciate the
12 responses, and if there's anything further that you
13 could put in your post-conference brief, that would be
14 very helpful. I'm particularly interested in what the
15 implications are when you have a change in raw
16 material prices and you've got inventory. What
17 happens with your inventory valuation?

18 But I would like to move on, actually.

19 You talked a little bit about capital
20 investments and the level of capital investments over
21 the period. I was wondering if the various producers
22 could elaborate a little bit on the nature of the
23 capital investments that they took, and what the end
24 result was in terms of productive capacity, in terms
25 of productivity, and further down the line what those

1 effects would be on employment.

2 MR. WOLTZ: That one sounds familiar also.

3 Insteel did carry out a major capital
4 investment program during the period of investigation
5 and there were really multiple objectives that we had.
6 One was to realign our productive capacity with the
7 center of our market. We were out of balance from
8 that respect. That entailed the expansion and the
9 total upgrading of our Gallatin, Tennessee facility
10 with some proprietary technology developed internally.

11 The other component of our capital
12 investment during that time was to modernize our
13 Sanderson, Florida plant which was operating, really
14 using 1970s technology.

15 Both projects resulted in significant
16 productivity gains in terms of better labor
17 utilization.

18 We did in fact reduce our work force at the
19 Florida facility due to the capital investment that
20 was made.

21 But back to my center of market comment on
22 where our capacity was, you would think those people
23 would have, the jobs in our Tennessee facility would
24 have increased to offset that. In fact by the time we
25 got these facilities up we were cutting back, not

1 adding employees anywhere.

2 So together the two projects that Insteel
3 undertook represented a capital investment of
4 approximately \$20 million and increased our capacity
5 by approximately 35,000 tons per year.

6 MR. SELHORST: Tim Selhorst. A similar
7 story to H.

8 After the case in 2003 we embarked on a
9 phased project to upgrade our equipment in Houston,
10 Texas. We did not complete the project, but we funded
11 it in 2005, began installing and upgrading our
12 equipment in 2005. I believe it came on line in 2006.
13 Added considerable productivity, expanded our
14 capacity, and given the nature of the market we ceased
15 any additional investment into the product or the
16 plant.

17 MR. CORNELIUS: John Cornelius.

18 For Sumiden over the last three years we've
19 just made incremental upgrades to our equipment but no
20 significant capacity upgrades or changes in work force
21 as a result of any of the capital improvements.

22 We have postponed any capital improvement
23 projects, or several capital improvement projects for
24 the coming few years given the Chinese import
25 competition that we're facing.

1 MR. CORKRAN: Very good.

2 I just wanted to say again how much I very
3 much appreciate all of your willingness to travel here
4 to provide testimony for us. It's been very helpful
5 and very enlightening. Thank you again for all your
6 time and efforts.

7 MR. ASCIENZO: Thank you very much.

8 I have a few follow-on questions. First of
9 all, I do want to thank you again for your testimony
10 and all the answers you've given to the questions so
11 far.

12 Let me follow up on a point I think Mr.
13 Corkran was making, or maybe he wasn't, but getting
14 back to raw material costs. Wire rod is the main
15 input. Tell me, over the period of investigation
16 didn't that abruptly go up and then come back down?
17 Or has it been on a steady move upward?

18 MR. WOLTZ: My recollection is 2006 and 2007
19 it was fairly stable. We did have the blip referred
20 to in 2008 where it doubled and then halved.

21 MR. ASCIENZO: You don't have to answer here
22 in public now, but in case it happened to you please
23 explain in your briefs. It's possible that perhaps
24 some of you got caught purchasing inventory as the
25 prices were going up, up, up, and all of a sudden when

1 they went back down you're stuck with high priced wire
2 rod inventory. Meanwhile the price of the ultimate
3 product has gone down because everybody knows the
4 price of the main input has gone up.

5 So if that happened to any of you and it's
6 reflected in your financial questionnaire responses,
7 you can talk about it now or you can explain further
8 in your briefs.

9 MR. WOLTZ: I'd just make one comment, that
10 certainly the magnitude of these changes is not a
11 usual thing, but we have seen fluctuations in the past
12 of significance where the industry was not forced to
13 drop its prices through the floor just because wire
14 rod moved.

15 Over the long term you would expect there to
16 be a cause or kind of relationship there, it's not a
17 fact that the industry is forced to drop its prices or
18 elects to drop its prices just because wire rod prices
19 go down.

20 I would submit in the current environment
21 that the reason we have had to drop our prices is the
22 pressure that's been put on us by the Chinese.
23 Otherwise we would have come through this entire
24 period of volatility in much better shape.

25 MR. ASCIENZO: Thank you.

1 I think it's been discussed that the
2 prevalence of the single largest size of PC strand in
3 the United States is half inch wire rod and 270,000 I
4 guess pounds of tension, pressure, I forget, I'm
5 sorry.

6 MR. FEITLER: Half inch PC strand, not wire
7 rod.

8 MR. ASCIENZO: Okay.

9 MR. FEITLER: And 270K grade is what we
10 refer to it as.

11 MR. ASCIENZO: So the final product, what's
12 the diameter of the final product of that half inch --
13 oh it's half inch. Okay. It's not one half inch and
14 then -- Okay. Four strand with six around it. It's
15 one half inch.

16 MR. FEITLER: Right.

17 MR. ASCIENZO: Let's say it was being used
18 in a concrete slab as big as this area approximately,
19 whatever this is -- 12x12. How many strands of PC
20 strand would be here? Would they be every three feet,
21 six feet?

22 MR. JOHNSON: Tim Johnson here from
23 Suncoast.

24 The largest use for us is single family
25 residential. A typical foundation for a house using

1 post tensioning would use about 1600 feet. There
2 would be about 40 to 45 cables laid in there in a
3 grid.

4 MR. FEITLER: I would just add, it depends
5 on the design and the load that the structure is
6 required to take. I've seen some flat slabs maybe
7 this size where the strand might be four inch off-
8 center. So you might have 15 strands. Then I've seen
9 some less load requirements where you might have 12
10 inch off-centers. So it really depends on the design.

11 MR. JOHNSON: Absolutely. The example I
12 gave you is just kind of a general, on average.
13 Certainly load and soil conditions underneath could
14 change the number of cables. There's a number of
15 factors that can change it.

16 MR. ASCIENZO: Thank you.

17 The predominant size of the half inch PC
18 strand, once again, is it the same size in China or in
19 the EU? The predominant size is the same around the
20 world approximately?

21 MR. WAGNER: Richard with Insteel.

22 Yes, it is.

23 MR. ASCIENZO: Thank you.

24 MR. FEITLER: It's my opinion that in China
25 the predominant size is .6, so they specifically

1 produce half inch for export. They do use half inch
2 in China, but they specifically produce half inch
3 mostly for export and set up production for half inch
4 export. That's what I have been told.

5 A big part of the market in China is
6 infrastructure. And in bridge girders, .6 is a more
7 common size. That's what's used in China.

8 MR. ASCIENZO: Thank you.

9 It's been discussed in the petition and here
10 today, two U.S. producers exited the industry in I
11 think '07. We don't have questionnaire responses from
12 them. Is it at all possible that we might get
13 questionnaire responses? I know you don't represent
14 them, but does anyone have any contact with the
15 remnants of those companies?

16 I know there's some estimates of production
17 capacity in the petition.

18 MR. WOLTZ: I think it's unlikely.

19 MR. JOHNSON: For one of those producers,
20 100 percent of his supply went to me. The other one,
21 well over 50 percent of his supply went to me. The
22 one that we were 100 percent supply, they're
23 completely out of business. The other has went back
24 to Mexico and I never hear from them. They completely
25 got out of the business in the United States.

1 MR. ASCIENZO: Thank you.

2 Let me get back to some answers that were
3 given I think in response to Mr. Sultan's questions.
4 I think he was asking about the cost and price
5 differential between uncoated PC strand and then the
6 stuff that was coated. I think it was greased and
7 covered in plastic.

8 I think Mr. Johnson said 25 percent and I
9 think Mr. Selhorst said negligible. Am I wrong there?
10 Did I mishear that?

11 MR. SELHORST: The difference, I heard the
12 same disparity. I think Tim was talking about the
13 fluctuation in price had changed may 25 percent. But
14 the difference between the cost of a greased and
15 coated strand and a bare strand, I believe is de
16 minimis but it's not something that's common because
17 most of us sell bare strand to people like Tim who
18 grease and coat it. Then cut it to length, fasten
19 ends on it and ship it.

20 So it's not common in the American market
21 that producers would produce both bare and greased and
22 coated and sell it. IT's really a downstream
23 activity.

24 MR. FEITLER: I think I might have the
25 answer to the confusion here. And Tim, correct me if

1 I'm wrong.

2 When Tim said that his selling price is 25
3 percent different or higher, perhaps you were
4 referring to fabricated, already cut to length,
5 perhaps with the end anchorages. Maybe it's more
6 proper to ask the price difference of the bare strand,
7 adding the value of coating and plastic wrap -- not
8 cutting, not fabricating with anchors and wedges.

9 MR. JOHNSON: Tim Johnson here.

10 What I was specifically talking about, it
11 was not selling price, it was the cost. And the cost
12 for me to grease and plastic coat is in the
13 neighborhood of four to four and a half cents. And
14 the material, the grease and plastic and color
15 concentrate that goes on there. As a percentage of
16 the total cost of what I would call our grease and
17 plastic coated strand. Not cut, no anchors, just
18 basically taking the strand these guys sell and
19 putting it through the process of putting grease and
20 plastic on it. That four and a half cents is
21 naturally going to, as a percentage of the total cost
22 it's going to move as the price. The price of the
23 strand. Currently that's around 20 percent of value
24 added cost that go on top of it.

25 MR. ASCIENZO: Thank you. So just to make

1 sure, the cost increase is about 20 percent? Okay.

2 Thank you.

3 That's it for my questions. Thank you very
4 much.

5 Does anyone else have any follow-on
6 questions? Yes, we do.

7 MR. LEVY: Josh Levy, Office of Economics.

8 A couple of questions for Mr. Johnson.

9 The first one, in your testimony you were
10 talking about any kind of differences between the
11 U.S., or lack of differences between the U.S. and the
12 Chinese product. And you said that as long as they
13 can deliver on schedule, that basically it comes down
14 to the price being the difference.

15 Have you had problems with getting imported
16 Chinese product on schedule, shipment delays, anything
17 like that that you consider to be significant?

18 MR. JOHNSON: No. No delays at all.

19 MR. LEVY: Are the general lead times about,
20 can you give me a rough idea of the difference between
21 the lead times of getting product from China versus
22 from one of your U.S. customers?

23 MR. JOHNSON: A product from China, I'm
24 typically working about 90 days ahead. In July I'll
25 start talking to people about supply for the fourth

1 quarter. After you negotiate, you're probably placing
2 that order in early August, I would say, by the time
3 you've finished your negotiations. So you're working
4 about 90 days ahead.

5 To get supply from any domestic source, I
6 guess I could literally pick up the phone and if we
7 agreed on price on the phone I could have it in two
8 days.

9 MR. LEVY: Is that a significant factor in
10 deciding whether to buy from the U.S. versus the
11 Chinese product? Does that really impact you having
12 to wait the extra time, or --

13 MR. JOHNSON: I would certainly say that
14 pricing being equal, I would rather buy it from a
15 domestic source. As I buy Chinese product, it doesn't
16 come one truckload at a time. It comes in a ship. So
17 you've got inventory issues that you're dealing with
18 all the time. So that is clearly an advantage.

19 Also if you have a problem, and luckily
20 they're very very few, but any time that you have a
21 problem with a company in China. If I put 1.5 million
22 feet in a 90 story condo complex in Miami and there's
23 a problem with that strand, I feel like my ability to
24 get help is going to be probably impossible. Where
25 with the domestic industry, there I've got help

1 available. If God forbid a lawsuit happens or things
2 like that, I've got people with me helping me versus
3 you're out in the cold.

4 MR. LEVY: But you haven't within the past
5 few years had a bad experience like that with them?

6 MR. JOHNSON: They're very very few and far
7 between.

8 MR. LEVY: My last question was, in Mr.
9 Wisla's testimony for the Respondents, opening
10 testimony, he said that, I believe, that the Chinese
11 were not the price leaders.

12 I was just wondering from a purchaser's
13 perspective, to the extent that you can address this
14 publicly, if there are other suppliers out in the
15 world that you know of that you would consider to be
16 either the price leaders or more competitive with the
17 Chinese.

18 MR. JOHNSON: In my opinion, the Chinese are
19 clearly the price leaders. They're setting the price
20 in the market place. Any other domestic company or
21 trader that's bringing material from a foreign
22 country, other than China, he is matching or getting
23 very close to the Chinese price.

24 MR. LEVY: Thank you.

25 MR. ASCIENZO: Mary Messer has a few

1 questions.

2 MS. MESSER: Hi. Just one follow-up
3 question.

4 Going to the trends in consumption and
5 demand, and use markets, just to follow up and maybe
6 clarify some things that were said earlier. If I can
7 read my scribblings.

8 Has there been any change over the past
9 several years in the end use markets in the United
10 States? For example, has the slab on grade market
11 increased or declined relative to any other end use
12 market for PC strand? Or has the share of the end use
13 market over the last several years remained
14 essentially the same? Has one type of market driven
15 demand over another type of market?

16 MR. SELHORST: This is Tim Selhorst.

17 I would speculate, it's pretty easy to
18 speculate, that slab on grade connected to residential
19 construction has declined and the use and need for PC
20 strand associated with it has declined since 2006
21 which was the housing peak.

22 MS. MESSER: Is there any other market end
23 use that is a particular driver?

24 I note that you indicated in your testimony
25 that consumption has fallen, demand has fallen. Is

1 there any particular market where it has driven that
2 decline even further?

3 MR. FEITLER: I don't think anything to the
4 extent that you might find in slab on grade.

5 MR. SELHORST: Right, in residential.

6 MR. FEITLER: The other trends are probably
7 pretty flat. I certainly believe that all things are
8 affected by this economic change, but the statistics
9 that we've seen in all the other areas have been not
10 following a similar pattern of housing.

11 MS. MESSER: Thank you.

12 MR. ASCIENZO: Any other questions?

13 Seeing that there are none, I thank you very
14 much again for your time and the answers to questions
15 and your direct testimony. We will take about a 12
16 minute recess and then we will start at 12:00 o'clock.
17 Thank you very much.

18 (Whereupon, a recess was taken from 11:48
19 a.m. to 12:02 p.m.)

20 MR. ASCIENZO: Are we ready to start?

21 Thank you. Let's begin the second session,
22 and please remember once again to identify yourself
23 for the court reporter before you start to speak.

24 Thank you very much.

25 MS. LEVINSON: I guess it's officially good

1 afternoon.

2 I'm Lizbeth Levinson. I'm with law firm of
3 Garvey Schubert Barer. I'm here with my colleague Ron
4 Wisla and our client, Rob Hendricks.

5 Rob is the President of Global Steel Sales
6 Corp., a U.S. importer of PC strands from China. I'm
7 going to turn the mike over to him and he's going to
8 give you some information about his business and how
9 it's impacted by this petition.

10 MR. HENDRICKS: Good morning.

11 I sat through the morning and it reminded me
12 of a political science class I took once. In that
13 class there was a news event and we started by reading
14 the event in US News and World Report. Then we read
15 the same event in the New Republic. We all tried to
16 decide whether it was the same event. That's kind of
17 the way I feel about today.

18 I'm here as an American. I'm not here for
19 the Chinese. I do import Chinese steel. I'm proud
20 of it. I don't think I'm hurting the petitioners and
21 I think it's what's best for this country. So I'm
22 here. You can grill me, I'll answer any question you
23 have. I can tell you about the Chinese manufacturers
24 that I do business with, that I know. Basically
25 that's all I can do.

1 I'd first like to ask you to look at my
2 Exhibit 7. I printed this off yesterday, and I think
3 it's kind of interesting that especially if you look
4 at April, that Canada is now the leading importer of
5 PC strand into the United States. In fact China has
6 fallen to third behind Europe.

7 If you look at my Exhibit 9, I did a quick
8 little Excel sheet there. You'll see that imports for
9 April from Portugal, Italy, the Netherlands,
10 Switzerland and Spain were over a million dollars,
11 which I think is about \$270,000 more than from China.
12 China was at \$727,000 for the whole month.

13 So China's gone from, like I said, being
14 number one to number three. These are imports before
15 the filing of the petition, obviously.

16 So I can't imagine any of my customers
17 buying strand at a higher price than they have to, and
18 somebody's obviously buying a lot of Canadian steel,
19 and somebody's obviously buying a lot of steel from
20 Europe. There was no reason that they couldn't have
21 bought it from the Chinese. And they didn't.

22 I'd like to look at Exhibit 5 which is, this
23 is first quarter of 2009 over the first quarter of
24 2008. The Petitioners keep talking about how there
25 was all this Chinese inventory. Maybe there was for

1 some of their customers. Maybe it was for most of
2 their customers. But that's not true for my customers.
3 My customers were on life support or dead. Their
4 businesses are toast.

5 You'll notice that it didn't seem to affect
6 the Canadians because they're up 27.5 percent quarter
7 on quarter.

8 So all these people that supposedly had
9 inventory decided they'd buy more Canadian PC strand
10 than Chinese. That's another interesting point to me.

11 What is PC strand? This is -- (off mike) --
12 steel held together from the process.

13 MR. ASCIENZO: Sir, I'm sorry. Do me a
14 favor, try not to talk too much away from your
15 microphone because I don't know if we can pick it up.

16 MR. HENDRICKS: The last one is PE coated.
17 The reason it has tape on the end is because there's
18 grease inside. If we take the tape off we're going to
19 all get greasy.

20 What I'm going to talk about most today I
21 think is the two markets, the Buy American market and
22 what I call the Private Sector market.

23 The Buy American market, as I understand it
24 there are basically three statutes and they all cover
25 different parts of different markets. The first

1 statute I think Mr. Woltz referred to is from 1932 or
2 1933.

3 The second statute I think is '66, '68 and
4 it basically covers transit projects.

5 The last one is our current stimulus plan
6 which is the most strict on the Buy American.

7 I personally, to my knowledge, have never
8 sold any PC strand that was used in a Buy American
9 project. I don't even try. It's not right. It's not
10 appropriate. It's not my market.

11 Those are some pictures that were taken in
12 California of residential slab. They're made with the
13 PE coated. In that picture it's black. That is a
14 private sector market.

15 I have a couple more of these pictures.

16 It's a pretty labor intense process. You
17 can see in this one picture that at the intersection
18 of each one of those pieces of PE coated strand,
19 somebody has to tie them together with tie wire. It
20 takes a good bit of labor and a good bit of time to
21 put down one of these slabs.

22 On the back of those pictures, they're all
23 kind of categorized and they've got a number on them.
24 So if you want to try to put them back together later,
25 I'm going to leave those with you.

1 I think most people are really surprise by
2 how much steel is in concrete. I always thought,
3 growing up, concrete was strong, it holds buildings
4 up, you walk on it. It's the steel that holds it up.

5 I've got some pictures here, just steel
6 beams. What I meant to say is the steel in concrete
7 beams. It's the steel before you actually pour the
8 concrete around it.

9 The last one he's looking at right now is I-
10 beam. And the bottom of that is all PC strand. The
11 steel above it is rebar.

12 The pictures that I just handed him are what
13 I call Buy American projects. They're highways,
14 bridges. All of the steel in those projects comes
15 from what I would call the U.S. producers.

16 MR. ASCIENZO: Mr. Hendricks, sir, are you
17 leaving these behind as exhibits?

18 MR. HENDRICKS: I am.

19 MR. ASCIENZO: All right. Thank you very
20 much.

21 MR. HENDRICKS: My biggest customer, or
22 probably my former biggest customer is a company named
23 Spancrete. They pretty much started the hollow core
24 concrete business, probably in the world. But they
25 manufacture the equipment and they also have four

1 manufacturing facilities. Three of them are in
2 Wisconsin and one of them is just outside Chicago.

3 What they do is, the best example I have, if
4 you stay at a La Quinta Hotel and you are on the
5 second floor, you're probably walking on a hollow core
6 plank and the ceiling is probably a hollow core plank.
7 They're just concrete planks, maybe this wide, and
8 they have hollow cores in them, and the strand runs
9 the full length of them. That's what gives it the
10 strength, is the strand.

11 I don't want to spend too much time on this
12 because there's so much other to talk about.

13 They're all pictures of hollow core planks
14 being made ready for and manufacture at the Spancrete
15 facility.

16 If we could turn to Exhibit 4. 2008, 231
17 Spancrete employees laid off, out of a job. They're
18 not making planks. If you read further you'll see I
19 think there were another 28 that had been laid off
20 previous to that.

21 What you don't know from this article is
22 that there's a location in Crystal Lake, just outside
23 of Chicago, that when they're operating at full
24 capacity they have over 100 employees. At the same
25 time they laid off all these employees, they laid off

1 70 employees there. Since then they've closed it.
2 It's gone. There's nobody working at Crystal Lake any
3 more. There's nobody making hollow core planks at
4 Crystal Lake.

5 Needless to say if you're selling them their
6 strand and they're using it in planks, your business
7 is going to plummet. They're gone. They're not
8 making planks. Their business has been terribly
9 terribly terribly devastated by what's happened in the
10 economy.

11 I think the most important point I have to
12 make today is why I believe the Petitioners are not
13 competing in the private sector market. And it's not
14 easy to see at first, but the way I learned about it
15 was from Insteel. They're the ones who explained it
16 to me. It's kind of an odd story. These are all
17 emails between Insteel and me. All of them. Hundreds
18 of them.

19 I contacted Insteel at the behest of a
20 company that represents three steel mills in China.
21 Large steel mills. They knew that Insteel was
22 importing tremendous amounts of Chinese wire rod and
23 they asked me to contact them and see if they had
24 interest in buying some Chinese wire rod from them.
25 That's the main reason I contacted Insteel.

1 Well, I looked at Insteel's web site and I
2 saw that they made PC strand. I also knew of some PC
3 strand manufacturers in China. I also did some
4 research into welded wire reinforcement, I think they
5 call it, WWR, or mesh.

6 In my emails they tell me we're not
7 interested in the mesh, but we're interested in the
8 wire rod and we're interested in PC strand.

9 I did some research and I noticed this kind
10 of odd fact that they had antidumping against all
11 these other countries. I thought to myself, why in
12 the world do I want to go and do all this work, spend
13 all this time and all this money to help them bring in
14 Chinese PC strand, and then they just go and get
15 antidumping against the Chinese strand. I think
16 that's a normal kind of question. So I asked it.

17 I said why don't you just get antidumping
18 against China? I said I don't want to work on this if
19 all you're going to do is get antidumping against
20 China.

21 I was given two reasons. The first reason I
22 was given was they were making too much money in the
23 Buy American market and if they had to file an action
24 for antidumping they would have to explain the high
25 margins on the Buy American products.

1 The second reason, I lost all my PC strand.
2 I was going to hold up a piece of PC strand right now.
3 You can pretend I've got a piece of PC strand in my
4 hands. They said how do you sell this piece of PC
5 strand in the Buy American market that has little or
6 no competition at high margins and take that same
7 piece of PC strand and go over to the private sector
8 market and sell it at a lower margin? How do you do
9 that?

10 I don't know. They said they didn't know
11 either. So that's been a big problem for them.

12 Two markets, two different levels of
13 competition, two different prices, same commodity item.
14 Ooh. I'm starting to understand.

15 So why do we want Chinese strand? Here's
16 the idea. If Rob can get Insteel Chinese strand at
17 the same price that the other U.S. importers are
18 bringing Chinese strand in, Insteel will now have two
19 brands. It will have brand one that they sell in the
20 domestic market at the high margins, high profits; and
21 they'll have brand two which is the Chinese import.
22 We'll sell that in the private sector market.

23 Interesting.

24 I said how does this work? They said well,
25 our biggest competitors back then, I don't know their

1 whole market obviously, were a company called CRP,
2 Concrete Reinforcing Products, been in the business a
3 long time, big importers. And the Crispin Company,
4 bene in business I think 57 years importing steel from
5 all over the world.

6 What they figured was we already do business
7 with all these precasters. They're already buying all
8 their strand from us for the Buy American market. We
9 already send our sales people in there. They already
10 know all our sales people. We already have all the
11 credit on them. We already send trucks to them. Why
12 can't we just send Chinese? We already have the
13 customer. If we can give them the same price or even
14 a little better than the other U.S. importers, we can
15 make the profit there too.

16 That was the explanation that was given to
17 me. It was on that basis that I worked on their
18 project, as they call it.

19 Ready Ron?

20 She just asked if I wanted to explain why it
21 didn't work out, and I don't think it's pertinent to
22 what I'm talking about right now, but I'd be happy to
23 answer the question during the question period if
24 someone else is interested.

25 I want to give you some samples. Can you

1 hear?

2 MR. ASCIENZO: You might try to walk around
3 with the microphone. I'm sorry.

4 MR. HENDRICKS: In this first column we have
5 tons. I use metric tons. The second column we have
6 cost. For purposes of this example I'm going to
7 assume that the strand that I buy in China costs the
8 same as the strand that they produce, which actually I
9 think the cost of what I pay in China is higher than
10 what they produce. But for the purposes of this
11 example --

12 MR. ASCIENZO: I'm sorry. Before you go any
13 further, is that part of this exhibit, or no?

14 MR. HENDRICKS: No, it's not. But I'll be
15 happy to submit one later. I can put this on paper
16 later. I did this last night at 11:00 o'clock.

17 What we have here is the first sale for
18 Insteel, 1,000 metric tons, we're assuming a cost of
19 \$700,000 to produce it. \$700 a metric ton to produce
20 it. A sales price of \$1,000 a metric ton, so we're at
21 a million dollars.

22 If you look in their financial statements,
23 2008, when they made \$87 million, they were using a 30
24 percent margin, gross margin. So I've said all right,
25 1,000 metric tons, \$700 a metric ton, they're going to

1 make \$300,000 on that transaction. Okay? That's a
2 Buy American project. You can't buy that from me,
3 you've got to buy it from the Petitioners.

4 Now the same customer says all right, that's
5 going to take care of my bridge. I've got a condo
6 project I need to build and I need another 500 metric
7 tons. Well, the cost on that's half of a thousand,
8 and the sales price is half of the thousand, and
9 there's another \$150,000 profit there. It looks real
10 good. They're going to make \$450,000 on this
11 transaction. Only there's a problem. The 500 metric
12 ton order is private sector. There's real competition
13 there. That's a world market. It's not the
14 Petitioners protected by the U.S. government in the
15 Buy American market. They can buy this from anybody
16 in the world that apparently is not dumping.

17 So now let's say that I paid the same amount
18 for that PC strand. I paid \$350,000 for it. Well,
19 I'm willing to sell it for a \$50,000 profit. Now
20 instead of the sales price to the customer being
21 \$500,000, it's \$400,000. Instead of it being \$1,000 a
22 metric ton, it's \$800 a metric ton.

23 So I confess, I make \$50,000 on this deal
24 and I'm happy with it. Twelve and a half percent
25 margin.

1 What's Insteel got to do? Remember, it's a
2 commodity. It's got one price wherever they sell it.

3 Do they want to drop their price down to
4 \$800? I'll show you why they don't.

5 We're going to take a thousand metric tons.
6 Their cost is \$700. They're only going to make
7 \$100,000 now. Make \$100,000. On the 500 metric tons
8 they'll just match me, they'll make \$50,000. Guess
9 what? They're only going to make \$150,000. They're
10 going to do 50 percent more work and they're going to
11 make 50 percent less money. So you know what you do?
12 You do exactly what Mr. Woltz said. You make the
13 \$300,000 in the Buy American market and you walk away
14 from the rest of it. When you finally can show a
15 loss, then you go in and you say "Oh, the Chinese."

16 I don't represent the Chinese. They didn't
17 pay one dollar of any of my costs. I'm here strictly
18 because of my business and because I don't think what
19 they're saying is right.

20 There's another really important point, I
21 think. The owners of Crispin are American. The
22 owners of CRP are American. They go all over the
23 world sourcing material to sell in the U.S. market.
24 That's their job. That's my job right now. I want to
25 sell PC strand in the U.S. market. I do not want to

1 cost Americans jobs. That's not what I want to do.
2 At all.

3 But there are clearly two markets, and as
4 long as Insteel and the Petitioners want to sell at a
5 30 percent margin, every PC strand manufacturer in the
6 world is going to want to compete in this market.
7 That's why they have to keep coming back.

8 They've already admitted that they can't
9 compete against the five countries that have
10 antidumping orders against them. Now they say they
11 can't compete against the terrible Chinese. Pretty
12 soon, I guess next it will be Canada and all of
13 Europe, because all you have to do is see that the
14 imports for April are from Canada and Europe. So they
15 must be dumping too.

16 My point is, they're selling at higher than
17 fair value. Higher than fair value. They want to
18 make 30 percent. They made \$87 million in their
19 fiscal year 2008. They've made -- this is just
20 Insteel. I have no idea what the other Petitioners
21 made. They made \$250 million in pre-tax profit for
22 the last five years.

23 I've read all of the financial statements
24 for Insteel. One of my favorite statements that I
25 read was, you know, we made \$87 million this year but

1 we're really feeling the pressure from the Chinese.

2 What pressure?

3 It sounds to me like it's not a matter of
4 them being injured, it's a matter of we want to make
5 more money. We want to be able to sell at higher
6 prices in the American market and we want to make even
7 greater profits.

8 Now I'd like to move to what I think really
9 happened to Insteel and I was really kind of surprised
10 that Insteel had such enormous losses. So I
11 researched their financial statements. I didn't look
12 at the financial statements on the Insteel web site, I
13 looked at the financial statements with the SEC which
14 have all the accounting notes. They're much more
15 detailed than what you get off the Insteel web site.

16 First I want to tell you how Insteel used to
17 buy steel. I don't work for Insteel and I don't have
18 anybody that gives me information about Insteel.
19 Everything I get is from the market or from having
20 worked with them in the past.

21 When Insteel was buying steel from China
22 they would place the order, the price would be locked
23 in, they would have to produce the order, they would
24 have to line up a ship for it, and that ship would
25 have to bring it from the other side of the world.

1 And they didn't have the whole ship, they'd have part
2 of that ship. So that ship might stop in several
3 places on the way, usually did. Then it would finally
4 get to New Orleans. They'd unload it in New Orleans
5 and put it on a barge. That barge would go over to
6 Mobile and up the Mississippi to Gallatin, Tennessee.
7 That just doesn't sound very efficient to me, number
8 one.

9 Number two, it could be four months, three
10 to four months from the time they ordered the steel
11 until it actually got to their yard.

12 What happens if like happened in 2008, they
13 buy it for \$500 a metric ton and by the time they get
14 around to using it, it's up at \$1100 a metric tone.
15 They've got a wonderful profit. \$600 a metric ton.
16 It's easy to see. That's how it works. I've charged
17 their inventory levels, and again, this is not an
18 exhibit but I can do one.

19 Insteel keeps an inventory, according to
20 their financial statements in June of '07 they had an
21 inventory of about \$60 million. They call that raw
22 steel, work in process, and inventory. \$60 million in
23 steel.

24 Then it went down in September of '07 to \$47
25 million.

1 Let me get to 2008. June of '08 they had
2 about \$73 million worth of inventory. Can you imagine
3 the hit you would take if overnight steel prices were
4 cut in half, as mr. Woltz said? Can you imagine
5 owning \$70 million in inventory and steel prices going
6 from \$1100 a metric ton to \$500, \$550?

7 If you read the financial statements you'll
8 see, they wrote off \$23 million in inventory. That's
9 where their loss came from. That's what they show on
10 the financial statement. It says right on there.
11 Inventory write-downs. It was almost \$7 million the
12 first quarter; it was about \$16 million the second
13 quarter.

14 If you go and read further they say we might
15 have to write down some more. Well, I'm not a CPA,
16 but I can tell you that at the end of September of '08
17 steel prices in China were down to about \$800 a metric
18 ton and they had fallen from \$1100. So in that three
19 month period they fell \$300 per metric ton.

20 If you apply that percentage to their
21 inventory, they have a much grater loss than \$23
22 million. A much greater loss.

23 The last quarter of June of '08, which is --
24 I'm sorry. September '08, the last quarter of their
25 fiscal 2008, they showed \$353 million worth of sales;

1 they show almost \$87 million in gross profit; they
2 show profit before taxes of \$68 million; and they have
3 \$71 million worth of inventory. But it's interesting,
4 the steel prices had already begun to plummet but
5 there was no inventory write-off then. They waited.
6 They waited until the next quarter. Maybe they
7 thought steel prices were going to go right back up or
8 something. But if you're going to value your
9 inventory at the market value you could very easily
10 have at that point booked a \$20 million loss, and they
11 didn't do it.

12 If they'd booked a \$20 million loss in 2008,
13 instead of making \$87 million they would have only
14 made \$67 -- only a \$67 million profit.

15 I'm still having a really hard time
16 understanding how the Chinese, who brought in \$175
17 million worth of strand in 2008 injured Insteel when
18 they made \$87 million.

19 They talk about prices dropping. They talk
20 about margins dropping. How is it that with \$187
21 million worth of Chinese strand they're still making a
22 30 percent gross margin? I don't make a 30 percent
23 gross margin. I don't know anybody that sells a
24 commodity product that make a 30 percent gross margin.
25 But I can also tell you that I can understand why if

1 they're selling to a customer that buys Buy American
2 strand and also buys private sector strand, that
3 they're not going to want to cut their 30 percent
4 margin so that they can compete with the Chinese.

5 The fact of the matter is and the truth of
6 the matter is, they're not going to cut their margin
7 to compete with any PC strand manufacturer. They're
8 going to continue to make their \$87 million a year.

9 The 10K, 2007, they only made \$56 million.
10 They had a bad year, I guess.

11 Chinese imports are increasing. Imports
12 from Europe are increasing. Canada. They made \$87
13 million. The reason they lost money is they bought
14 steel wrong. They admit that they bought steel wrong.
15 They show you that they bought steel wrong. It would
16 be fascinating to me to see how the accountants came
17 up with a \$23 million loss on the inventory. What
18 assumptions did they use? What prices did they use?
19 What did they say the fair market value was as of the
20 date that they dropped the value on this inventory?

21 This is a common sense kind of rhetorical
22 question. If your business is mostly Buy American and
23 you can charge a 30 percent margin, and you have \$50
24 million in sales, how come you didn't make \$15
25 million?

1 The Chinese weren't competing with you. The
2 Chinese weren't in that market. What happened to your
3 30 percent margin on all your Buy American business?
4 It's gone?

5 I know one thing. The Chinese did not cause
6 that. The Chinese have absolutely nothing to do with
7 whatever Buy American business they have.

8 What I can tell you is my honest belief, is
9 that the Petitioners will never compete in the private
10 sector market if they have to cut their margin in
11 their Buy American market. It just makes sense.
12 That's exactly what they said to me.

13 Show me how to sell this commodity product
14 in the Buy American market at one margin and compete
15 in the private sector market at another margin. You
16 can't do it. I don't know how to do that.

17 I also don't know how to explain to my
18 customer hey, you've got a Buy American project, I'm
19 going to charge you 30 percent margin on that one, but
20 you know, on the Chinese, I know how they are, it's
21 private sector, I'm only going to make 10 percent
22 margin on that one because I don't want to lose the
23 business. I don't want to lose the jobs that go with
24 the private sector business.

25 What customer, we heard Mr. Johnson say I

1 can't listen to excuses why their product costs so
2 much more than the imported costs. How in the world
3 is he going to accept that hey, for your Buy American
4 project you've got to pay a much higher price. It's
5 impossible.

6 I pretty much already explained what I
7 believe is happening in the market. Someone said they
8 were going to continue to import Chinese strand. I
9 don't know how to do that without taking a huge risk.
10 I haven't ordered any more strand from China. My
11 lawyers advised me that as of the 15th of next month I
12 have to be concerned about retroactive duties, and
13 other types of penalties, it's pretty much my
14 business, my family. It would destroy me.

15 So for me to ship to the East Coast, it
16 takes me about 15 days to have the order produced; it
17 takes up to a week to clear Chinese customs; then it's
18 got to basically go through the Panama Canal and come
19 all the way around. I can't possibly put any more
20 strand on the water for the East Coast at this point
21 in time. It will definitely arrive after July 15th.
22 So how these people are going to do it, I guess their
23 lawyers are telling them something different than my
24 lawyers are telling me.

25 But as far as me, I'm out of business. My

1 part of my business and the customers that would like
2 to buy import strand from me cannot buy it from me.
3 And believe me, they're calling. They have called.
4 They all say we understand. But you know what they're
5 doing? Mostly they're buying from CRP. CRP has
6 plenty of strand.

7 I emailed, with attachments, bills of lading
8 for Frapracella out of, I'm probably not saying it
9 correctly, out of Portugal, 3,000 tons has come into
10 the U.S. over the course of the last eight to ten
11 months from Portugal. I have customers that have been
12 using Portuguese strand. They say it's the same. I
13 asked them, how's the price? It doesn't matter. When
14 I order from CRP if I get Portuguese strand or I get
15 Chinese strand, it's the same price.

16 This brings me to another point. None of
17 the other importers are here. That's because they
18 already have alternate sources. They're already
19 bringing it in. They already have sources in Spain,
20 Portugal. The trade documents show Switzerland. I
21 personally don't know of a manufacturer in
22 Switzerland, but what I do know is that the European
23 countries will ship from different places even though
24 they're manufactured in a particular facility. I
25 don't understand some of the countries because I can't

1 find the bills of lading for them. But what I do know
2 is that the material's coming in, and I do know that
3 Europe has surpassed the Chinese, and I know that the
4 Canadians have passed the Chinese. I don't have any
5 explanation for that other than they're competing in
6 the market and they're going to continue to compete in
7 the market. Capacity.

8 Again, I'm not representing the Chinese.
9 But they're totally right. The Chinese have all the
10 capacity they need to supply all the strand that this
11 market could possibly buy. That's a true statement.
12 So do the Europeans. The Europeans are working at
13 less than 50 percent. The whole world is in an
14 economic crisis. Nobody is running their facilities
15 anywhere near capacity.

16 So there's no doubt in my mind that the
17 Europeans could supply all of the material that's
18 being supplied by China. And I don't know how much
19 the Canadians can do. But you know what? My biggest
20 customer's up in Chicago and it's not far to come
21 across the Canadian border into Chicago. I've got to
22 come a long way form China to Chicago.

23 Which brings me to another point. There's a
24 competitive advantage the Europeans have. It's a
25 straight shot from Spain right into the East Coast.

1 When I bring things to the East Coast it takes an
2 extra 12 days and the freight is double.

3 I have here some pictures that I'll leave,
4 and these are all of Chinese strand manufacturers. In
5 them you'll see that they're completely automated.
6 The labor requirement is minimal. The drawing lines,
7 which I disagree when they said that PC strand
8 equipment can only be used to make PC strand. That's
9 not true, in my opinion. There are at least two parts
10 to making PC strand. The first part is drawing the
11 wire. You start off with wire rod a little bigger
12 than your finger and you draw it down to the size of
13 the wires that you saw in the samples.

14 That equipment can be used to draw any wire.
15 It doesn't have to just draw wire for PC strand.
16 That's just simply not true. Those drawing lines are
17 the most advanced in the world. They use lasers to
18 check tolerances. They run at the rate of 10 meters
19 per second, 30 feet a second. One of those drawing
20 lines can produce a metric ton of wire in less than 30
21 minutes. A typical manufacturer will have two of
22 those for each twist line.

23 A twist line can make a metric ton every 15
24 minutes. It can make four tons in an hour. Almost no
25 labor. It's all computerized.

1 You'll see in these pictures most of the
2 time the people you see in them are sitting in chairs
3 watching computer screens to make sure that the
4 equipment's functioning properly.

5 I just thought you might like to see what it
6 really is.

7 The last point, again, I bristle a little
8 bit. My wife is Chinese.

9 MS. LEVINSON: His mother is here also.

10 MR. HENDRICKS: She's not Chinese.

11 (Laughter.) It's us. We're it. We feel a little
12 intimidated here.

13 But the Chinese are not invading our
14 country. It's just not true. It's just not true.

15 The Chinese are manufacturers. They're
16 workers. They make money. The manufacturers that I
17 deal with have made a lot of money. They want to tell
18 you it's at the expense of American jobs. I think
19 it's at the expense of their extra profits. If they
20 want to compete in the market they have the ability to
21 compete in the market. If they want to put more
22 people to work, they have the ability to put more
23 people to work. But they do like most American
24 businesses. They put profit ahead of certain other
25 things. I'm not saying that's a bad thing, but I'm

1 telling you it's the truth.

2 Now when I go to buy strand, number one, I
3 don't inventory anything. I do not inventory strand.
4 So last year when Insteel had rod at \$500 a ton, I was
5 having to buy strand, as the steel prices went up, my
6 prices were going up every day. At one point they had
7 strand that was made with \$500 a ton rod and I had
8 strand that was made with \$1100 a ton rod. They say
9 there's no discipline in the pricing. It is totally
10 disciplined. Nothing can be further from the truth.
11 What happens is my wife gets on a steel index every
12 day and we can see what steel prices for the wire rod
13 that we use are in the city in China for that day. So
14 now we know what the rod costs are. Then we have a
15 processing cost. We know how much it costs to process
16 that.

17 Again, I disagree with what they say. They
18 want to talk in percentages. Percentages are
19 meaningless. It doesn't cost -- If the steel price
20 doubles, the processing cost doesn't double. The
21 processing cost stays the same. So if you were
22 looking at a percentage, all of a sudden you'd say oh,
23 well the processing costs are half now. No. They're
24 the same.

25 Let's say they're \$150 a ton. So if the

1 steel price today is \$500, I'm going to put \$150 in
2 there for processing, maybe \$50 for the manufacturer's
3 profit. I should be looking at somewhere around \$700.
4 I don't go to the manufacturer and say what will you
5 sell me PC strand for? I'm an American. I go to them
6 and I say I don't want to pay more than \$700 and
7 here's why I don't want to pay more than \$700. They
8 always go no, too cheap, too cheap. Well, my wife can
9 call seven different manufacturers on their cell phone
10 in half an hour. In half an hour she can contact
11 seven different manufacturers and she say we need 500
12 metric tons. We don't want to pay more than \$700.
13 Before she's done, one of them will agree to sell it
14 to us for \$700.

15 In my opinion, I did my job. I got the best
16 price I possibly could. The Chinese didn't do
17 anything except compete with the other Chinese.
18 There's nobody from the government saying oh, we need
19 to ship another 500 to the U.S.. There's nobody from
20 the government giving them money to sell to the U.S..
21 All of these people have to buy their own steel, they
22 have to pay for it, they have to manufacture it and
23 they have to make a profit.

24 I don't understand all this other stuff. I
25 really don't.

1 Now I know exactly what I told you is now
2 going on in Europe with my competitors. My
3 competitors are now in Spain and Portugal and Italy,
4 everywhere else saying we don't want to pay more than
5 this because that's the market we have to have.
6 That's the price we have to have to be competitive in
7 the private sector of the United States. So, if
8 anybody is guilty of pushing prices down, it's me.
9 It's not the Chinese. The Chinese are just -- they
10 want to make as much money as they can. If I would
11 pay the \$900, they would be happy to take it. They
12 would be real happy to take it. But, obviously, I'm
13 not going to do that and, obviously, I want to make a
14 profit. So when I get that steel to the U.S., if I
15 can get a better freight rate, if I can save some
16 money on, you know, like customs clearance or trucking
17 or anything else, I'm going to do that. I'm going to
18 be as competitive as I can be.

19 But, I'm not competing with the Petitioners.
20 They're not even in that market. I'm competing with
21 other Chinese, I'm competing with the Canadians, and
22 I'm competing with the Europeans. I'm done. I told
23 you it was like two different -- the same event, but
24 two different magazines. We definitely don't see
25 things the same way.

1 MR. ASCIENZO: Is there going to be another
2 presentation or is that the end for your panel?

3 MR. HENDRICKS: No, that's it.

4 MR. ASCIENZO: That's it for your panel,
5 okay. Thank you, very much, for your presentation. I
6 think you had a second group of pictures. Were you
7 going to leave them as an exhibit or just -- and then
8 you also talked about a stack of e-mails. I don't
9 know where you going to append them to your brief?
10 Are you going to make them an exhibit? How are you
11 going to handle those?

12 MS. LEVINSON: Some of the e-mails are
13 included in the exhibits.

14 MR. ASCIENZO: Okay.

15 MR. HENDRICKS: If we choose to include more
16 e-mails, we'll do it in our post-conference brief.

17 MR. ASCIENZO: Thank you, very much.

18 MR. HENDRICKS: I have two more pictures
19 that I will give to you. They're both pictures of
20 myself, my wife, with owners of Chinese manufacturers.

21 MR. ASCIENZO: I would like to start this
22 afternoon's questions with Mary Messer.

23 MS. MESSER: I am Mary Messer, Office of
24 Investigations. Thank you, Mr. Hendricks, for your
25 presentation. I have just a couple of questions for

1 you for clarification and then I have a couple of
2 questions for your attorneys.

3 MR. HENDRICKS: Okay.

4 MS. MESSER: First off, can you tell us
5 physically Global Steel Sales is located?

6 MR. HENDRICKS: We have an office in Atlanta
7 and we have an office in Tianjin, China.

8 MS. MESSER: Okay. And do you import solely
9 from China?

10 MR. HENDRICKS: I do.

11 MS. MESSER: Have you ever imported from any
12 other country?

13 MR. HENDRICKS: No, I have not.

14 MS. MESSER: Why not?

15 MR. HENDRICKS: My wife is Chinese.

16 MS. MESSER: Okay.

17 MR. HENDRICKS: Let me elaborate on that a
18 little bit.

19 MS. MESSER: Okay.

20 MR. HENDRICKS: One of the reasons that I
21 feel like we have an advantage in this market and one
22 of the reasons that I am proud of what we do is
23 everybody has heard of the problems with products out
24 of China, that they're quality issues, production
25 issues, everything else. My wife's family works for

1 us and they actually have been trained with
2 independent inspectors. We've worked with SGS China
3 and there's another QC company called QC in Asia. We
4 work with both of them and they've trained her two
5 brothers and sister to do inspections. So when we
6 place an order, they actually go and check the steel
7 when it comes in, to make sure that it came from the
8 mill. We won't accept steel from just any mill. We
9 want certain steel that we know is higher quality.

10 They, then, inspect the entire process of
11 manufacturing. And once it's finished, they're not
12 allowed to package any of it. What happens is her
13 brothers go around with two workers and they cut the
14 last three feet off of every single pack. A pack is a
15 little over two metric tons, two to three. They cut a
16 piece of every single pack and they then take it into
17 the lab and they test it themselves, every piece of
18 strand to make sure that it meets ASTM standard.

19 Then, they weigh every pack because we buy
20 it by the ton. Then, they're allowed to package it.
21 Then, they supervise the loading of these packs in the
22 container. They take pictures of this entire process,
23 which they send to us. When they lock the container,
24 they put a seal -- it's a piece of plastic, but they
25 put it on the end so it won't come out. The only way

1 you can remove it is by cutting it. It has a unique
2 number on it. We have a picture showing the container
3 door and the seal on each one of them. At that point,
4 the container is turned over to our freight company
5 that we employ, not the manufacturers, and typically
6 that's when I pay them.

7 But, I have the ability to do that only
8 because I have family that can make sure: (1) that we
9 have the right quality; and (2) that we have the right
10 quantity; and (3) that it's been loaded properly. And
11 I'm able to offer that to my customers, as well. But
12 because part of the reason we get better prices is
13 normally when we place an order, we will give the
14 manufacturer a 30 percent deposit and then we'll pay
15 the balance with the shipment. My competitors, like
16 CRP and Crispen, typically get 60- to 90-day terms,
17 which is fine, but they pay a higher price for it.
18 And, typically, if I need a really good price on some
19 strand and I need it in a hurry and I'm paying cash, I
20 can get the right price and I can get the right
21 production. But, I can only do that because of my
22 family. I have no interest in going to Canada to
23 source PC strand or Europe or really anywhere else in
24 the world. This is where we have our business.

25 MS. MESSER: Can you get your wife and her

1 family to help us with the questionnaire responses for
2 the Chinese?

3 (Laughter.)

4 MR. HENDRICKS: We would love to help you in
5 anyway that we can. And I said this before, she's
6 definitely Chinese and she definitely has her feelings
7 about her country. But, I have my feelings about my
8 country and I have no desire whatsoever to mislead or
9 hide anything. We will be happy to help with
10 anything.

11 MS. LEVINSON: In fact, his wife has been on
12 the phone many, many late nights, basically trying to
13 tell the Chinese companies of the importance of
14 submitting the questionnaires. The problem is, if you
15 look at the voting record of the Commission for the
16 last I would say two to three years, you will see that
17 almost every time, the Commission votes affirmative
18 and at some point that sends a message to the Chinese
19 that it's not -- that it's a stacked deck. You know,
20 we try to convince them otherwise, but that's a hard
21 chore. You know, sometimes, I have to think about --
22 imagine a district court here in D.C. where the
23 plaintiff always wins. It's hard to imagine that just
24 by virtue of bringing a case there. So, those are the
25 -- so that you understand, those are the hurdles we're

1 up against in trying to get these people to cooperate.

2 MS. MESSER: Have them look at the brick
3 riders investigations and perhaps --

4 MR. HENDRICKS: Let me tell you the business
5 side of what she just said, the not so flattering
6 side. Bill Perry with her firm talked to the Chinese
7 and he advised them that he only needed two to three
8 hundred thousand dollars to handle the Chinese part of
9 the investigation. So, that's when they say --

10 MS. LEVINSON: Just to clarify, that was for
11 the DOC, not for the ITC.

12 MR. HENDRICKS: Well, that was the process.
13 He said you're going to have to go through the
14 preliminary and the DOC. You know, I'm just going to
15 tell the truth, you'll have to deal with it. But, it
16 makes it -- we're going to spend two to three hundred
17 thousand dollars and then take into consideration what
18 she just said. And then there's something else,
19 they're not selling anything to the U.S. right now.
20 If you look at April, they sold \$750,000 worth of
21 strand into the United States. Who in their right
22 mind is going to spend two or three hundred thousand
23 dollars, plus try to figure out all of those
24 questionnaires, when they're not even really doing
25 business here right now? Yes, I will try to get some

1 cooperation, if you ask.

2 MS. MESSER: Are you generally aware of
3 prices of imports from other countries?

4 MR. HENDRICKS: The way I'm aware is when I
5 lose sales. So, in March, I lost a whole lot of sales
6 to imports from Spain. They blew me right out.

7 MS. MESSER: They were lower priced?

8 MR. HENDRICKS: They were all lower priced.
9 I couldn't compete.

10 MS. MESSER: And what about --

11 MR. HENDRICKS: Customers that regularly
12 ordered from me bought from Spain rather than me.

13 MS. MESSER: And what about Canada?

14 MR. HENDRICKS: I don't know that I've lost
15 any business to Canada. I've never had a customer
16 tell me that.

17 MS. MESSER: Okay. You describe that the
18 way Insteel acquired its imports from China has been
19 inefficient, the way it traveled. How is yours any
20 different?

21 MR. HENDRICKS: The way that I sell, my
22 customers take the risk. And I'm a small importer,
23 four or five million dollars a year. I'm not a big
24 importer. But, basically, what happens is when a
25 customer of mine wants to buy PC strand, they ask me

1 what my price is and I have a pretty good idea because
2 all I have to do is look at the steel price and I
3 know. It's not arbitrary and capricious. It's based
4 on steel prices. So, we'll quote a price on that and
5 then we'll tell the customer that we will get a sales
6 order to them or need a purchase order the next day.
7 That night, which is already the next day in China,
8 we'll confirm our prices with the manufacturers.
9 That's when we call it 'dialing for dollars.' She'll
10 start calling the manufacturers to see who is
11 interested in having that order. But once that
12 transaction is done, I issue a PO to my manufacturer
13 at a fixed price based on the prices that day. My
14 customer does the same thing. So, everything is done
15 at that point. Assuming the customer pays me, which,
16 to date, everyone has always paid me, my profit is
17 determined at that point. So, if during the two
18 months it takes to get here, if steel prices go up,
19 they win; if steel prices go down, they lose.

20 MS. MESSER: Is that product shipped
21 directly to your customer? Does it come to your --

22 MR. HENDRICKS: Always. I don't even have a
23 warehouse. So, the example of Spancrete, we send all
24 of their containers into Chicago and what happens is
25 they typically go into L.A. and they get put on trains

1 and they go into Chicago and then we truck them to --
2 there are three locations in Wisconsin. When they had
3 the Crystal Lake Place opened, we just trucked it
4 right there, because the Lake is 50 miles from the
5 rail yard.

6 MS. MESSER: Spancrete is in Chicago, you
7 said earlier?

8 MR. HENDRICKS: Spancrete, I think their
9 corporate headquarter is in Valders, Wisconsin. They
10 have three locations in Wisconsin and one in Illinois.

11 MS. MESSER: And you have never lost a sale
12 to Canada --

13 MR. HENDRICKS: I don't --

14 MS. MESSER: -- since they're so close?
15 Okay.

16 MR. HENDRICKS: I know I don't have anywhere
17 near all their business.

18 MS. MESSER: Okay. Who do you consider to
19 be your competitors? You mentioned Concrete
20 Reenforcing Products in Crispin.

21 MR. HENDRICKS: Those are the two main ones.

22 MS. MESSER: Is Suncoast a competitor of
23 yours?

24 MR. HENDRICKS: No. Suncoast is a
25 completely different market. I've only sold a very

1 little bit of the PE coated and they're selling
2 primarily -- my understanding, what I heard them just
3 say today is he's selling primarily in the residential
4 market on the west coast and that's not my market.

5 MS. MESSER: What is your market?

6 MR. HENDRICKS: My market has been the
7 planks, the hollow-core planks I was showing you.
8 They're used primarily in condominiums, motels.
9 They're not -- you don't drive over them. The hollow-
10 core is really -- you know, they're light weight.
11 What happens is -- and, again, these people know a lot
12 more about it than I do -- but my understanding is, is
13 the pre-caster is giving some plans and they say we
14 need a certain load on this floor. So, they might say
15 it's 100 pounds per square inch or 200 pounds per
16 square inch. If it's an office building, it might be
17 400 because they might have some equipment. And based
18 on whatever those load factors are, that determines
19 the diameter of the strand and how close together it
20 is, because the strand is what is going to carry the
21 load. And hollow-core is -- that's how hollow-core is
22 designed. If you've got a higher load, you might use
23 six-tenths, which is bigger than half-inch. If you've
24 got a smaller load, you might use three-eighths, which
25 is smaller than a half-inch.

1 MS. MESSER: And how large do you --
2 compared to Suncoast, do you figure that you are in
3 concrete reenforcing products in Crispen --

4 MR. HENDRICKS: I'm not.

5 MS. MESSER: -- CLP and Crispen, as well?

6 MR. HENDRICKS: CLP and Crispen are both
7 huge compared to me.

8 MS. MESSER: Okay.

9 MR. HENDRICKS: They're just not here today.

10 MS. MESSER: And Suncoast is also huge
11 compared to you?

12 MR. HENDRICKS: Suncoast, my understanding
13 is they just buy the strand and coat it. They cut it
14 up and make tendons out of it and --

15 MS. MESSER: And CLP and Crispen does not?
16 What are their markets?

17 MR. HENDRICKS: I don't really know if they
18 do or not. I really don't. That product is -- in my
19 experience, it's a bigger product on the west coast.
20 I believe that it's code in California, that you have
21 to build those slabs using that PE coated strand.
22 It's not the case in the southeast where we are.

23 MS. MESSER: Okay. Thank you. This
24 question is directed to Mr. Wisla and Ms. Levinson.
25 Bear with me. This is going to like product and

1 domestic industry. In prior determinations, the
2 Commission has found that domestic like product to be
3 all PC strand, coextensive with Commerce's scope, and
4 has found that domestic industry to include all
5 producers of PC strand and has further determined that
6 plastic coating did not constitute sufficient
7 production related activity to qualify coaters as
8 members of the domestic industry producing PC strand.
9 Petitioners submit that domestic like product and
10 domestic industry in these investigations should be
11 similar or the same. So, do you agree with
12 Petitioners?

13 MS. LEVINSON: We do. We are not
14 challenging their like product definition.

15 MS. MESSER: Okay. And the Petitioners also
16 explain that there has been a huge inventory buildup
17 of PC strand from China of purchaser or importers in
18 the United States. Does this ring true for you or
19 your competitors?

20 MR. HENDRICKS: No, it does not. I'm not
21 saying that -- again, if you're doing four, five
22 million dollars worth of sales a year compared to
23 people that are doing hundreds of millions, obviously,
24 there are parts of the market that I don't know
25 anything about, that I don't compete in. But, I don't

1 inventory anything and most of my customers don't
2 inventory much. What they have done, which Mr. Woltz
3 says repeatedly in his financial statements, is they
4 have destocked and I believe the reason that they've
5 destocked is they're hurting. They need to turn
6 inventory into cash and business is very, very slow.
7 So, if they had \$50,000 or \$100,000 worth of
8 inventory, they would certainly, instead of just
9 keeping that \$100,000 or \$200,000 worth of inventory,
10 they would sell it down, turn it into cash, and then
11 order lesser amounts. That's especially true when
12 steel prices are rising, because everybody knows that
13 when steel prices go up, they're going to come back
14 down, and if they're buying prices -- if they're
15 buying steel and putting it into inventory and prices
16 are going up, they know they're going to get hurt when
17 it comes down. So, if they're trying to -- if they're
18 trying to bid jobs with strand that they have in
19 inventory that was at a high price, they're not going
20 to get the job or they're going to have a loss.

21 MS. MESSER: Thank you. No more questions.

22 MR. ASCIENZO: Thank you. Mr. Sultan?

23 MR. SULTAN: I don't have any questions.

24 Thank you.

25 MR. ASCIENZO: Mr. Levy?

1 MR. LEVY: A few questions I guess of Mr.
2 Hendricks. At first, you were talking about how --
3 that I guess the prices for the imported Chinese PC
4 strand, in your view, are totally disciplined, that
5 your wife gets on the -- looks at steel price indexes,
6 products over in China. Could you either now or maybe
7 in a post-hearing brief provide us the indexes that
8 she looks at, to get an idea of -- I mean, if --

9 MR. HENDRICKS: I will be happy to. And
10 what we do is almost every day, we bring up these
11 steel prices and we take a screen shot of them and we
12 put them into a folder. So, we have a month and I can
13 supply you those. The reason that we do that is
14 because what we then do is we go back -- when we want
15 to make a purchase, we go back and we say, what was
16 the last time we bought from a particular manufacturer
17 and we look at the price we paid. In order for that
18 to make sense to us, we've got to see what the steel
19 prices were on that day. So, we go back and take a
20 look at it.

21 MR. LEVY: So when you say 'steel price,'
22 you mean steel wire rod prices or --

23 MR. HENDRICKS: The exact rod that's used to
24 make PC strand --

25 MR. LEVY: Okay.

1 MR. HENDRICKS: -- in the exact city that we
2 have it manufactured in.

3 MR. LEVY: Okay.

4 MR. HENDRICKS: It's a very, very specific
5 index of my steel.

6 MR. LEVY: Okay.

7 MR. HENDRICKS: Any information you want out
8 of it, I will be happy to supply it.

9 MR. LEVY: Okay. I wasn't sure if that is
10 proprietary.

11 MR. HENDRICKS: I pay for it. It's a
12 service. It's a regular steel service.

13 MR. LEVY: Okay.

14 MR. HENDRICKS: We have a subscription.

15 MR. LEVY: But, yes, that could be helpful.
16 I would be interested to look at some of the data,
17 myself, and try to get a feel for how --

18 MR. HENDRICKS: That brings up a good point.
19 If you look at Insteel's first quarter sales for 2009
20 and you look at their first quarter sales for 2008, it
21 looks like there's this huge drop. But, if you go
22 back in and factor the difference in steel prices,
23 they're actually ahead. So, you know, obviously, in a
24 month where I'm buying PC strand, where my rod prices
25 are 1,100, compared to a month where my rod prices are

1 500, my sales are going to be huge --

2 MR. LEVY: In value terms.

3 MR. HENDRICKS: -- period over period, if
4 you don't look at the cost of the steel and that's
5 really important. So with their upcoming financial
6 statement for the quarter ending June, if you compare
7 that to last year when steel prices were the highest -
8 - so, let's say, I think it was 104 million in sales
9 last year, so if steel prices are half this year, I
10 would expect their sales to be no more than 60
11 million. And, yet, I think it's unreasonable to say,
12 oh, we had a loss of 44 million in sales. It's not
13 accurate.

14 MR. LEVY: Okay.

15 MR. HENDRICKS: Steel prices will help you
16 with that, as well.

17 MR. LEVY: Right, yes. That would be
18 helpful. I guess another area -- it sounds like you
19 definitely have some very direct connections in China
20 and the Chinese market. But, if you could give us
21 some idea, either now or post-hearing, information on
22 demand in China, to the extent -- because, I mean, one
23 thing I know that has come up a few times in some of
24 my telephone conversations was you had the run up
25 towards the Olympics in China and a lot of

1 construction going on and then kind of after that,
2 things seemed to tailor off. So, I would be curious
3 if you could -- information you could give us on
4 demand in China, any idea on trends, you know, maybe
5 some of the market segments that are --

6 MR. HENDRICKS: I can give you any
7 information you want. There was also a horrible
8 earthquake --

9 MR. LEVY: Right.

10 MR. HENDRICKS: -- which just devastated the
11 entire infrastructure. And they just recently
12 completed a four trillion, which is 600 billion, about
13 like that, stimulus package that they had of their own
14 in China. But, in all honesty, the whole time that
15 they were doing for all of this, I could get strand.
16 I never have a problem getting strand.

17 MR. LEVY: Okay.

18 MR. HENDRICKS: That's the truth.

19 MR. LEVY: Just let me turn to another
20 question. I talked with Mr. Johnson from Suncoast
21 about the delivery of the Chinese product. I mean,
22 have you had problems with getting the delivery that
23 have impacted you?

24 MR. HENDRICKS: Every year, we have a
25 terrible problem around August -- July, August, peak

1 season, and what that is WalMart buys all the ships --
2 this is a fact -- they buy all the ships, they bring
3 in all of their holiday stuff. It's really hard for
4 us to compete for freight. And the whole holiday
5 season is trying to supply -- several years ago, there
6 was a longshoreman's strike that scared everyone
7 because they couldn't get all the stuff for the
8 holidays. So, now, all these retailers bring all the
9 holiday stuff in way in advance. When that happens,
10 they don't like my products at all. They're real
11 heavy. So, you take a 20-foot long container and you
12 drop seven coils in it that weighs somewhere from 20-
13 25 metric tons and you're going to move that or you're
14 going to move a container of plastic Christmas trees.
15 They much rather move the lightweight Christmas trees,
16 decorations, toys, everything else.

17 So what happens, and it makes us crazy, is
18 two things happen. The ships, when they leave North
19 China, they typically go down the coast of China and
20 they stop at all the ports until they get to the
21 southern most port. And then now what a lot of them
22 are doing is they're going to Busar and they tranship.
23 So, they'll drop a lot of material in Busar and
24 they'll wait for another ship that's going through the
25 Panama Canal. And maybe when they drop the ones that

1 go into Busar and that ship continues on to L.A. So,
2 now, I've had containers sitting in Busar for two or
3 three weeks. To make matters worse, the same thing
4 happens in Panama. They will put it on a ship and
5 then they'll drop it in Panama and then they'll wait
6 for another ship to supposedly take it from Panama to
7 Miami or from Panama to Charleston. And that really
8 only happens, as my wife says, in the peak season.

9 Right now, we have no problems at all. In
10 fact, right now, shipments are coming in ahead of when
11 they're expected. But, they say that's because the
12 economy is so bad. The shipping industry is shipping
13 only a fraction of what they were shipping. They have
14 a lot of extra capacity and we don't need to do all of
15 this.

16 MR. LEVY: Okay. So, the times when you had
17 problems, has that been an issue for your customers?
18 You had to maybe give them an extra break on price
19 because of that?

20 MR. HENDRICKS: I didn't give them an extra
21 break. I mean, I don't have the margins to give them
22 a break. I guess the best I can say on something like
23 that is when they're calling and they're yelling and
24 they're screaming and they're upset, if they want a
25 continuing relationship, they have to understand that

1 I don't have any control over the freight. To me, I
2 tell them it's no different than going to the airport
3 and missing your connecting flight. It's not anything
4 I can control. It's not anything anybody can control.
5 It is a risk factor for doing business. I tell all of
6 my customers, you need to keep a two-week inventory.
7 Don't call me up because you ran out, because you
8 expected that ship to arrive on a certain day and you
9 wanted to put it into production the next day. That's
10 not my fault. That's not my responsibility. And I
11 tell them ahead of time.

12 So, where it hurts me is I've got money tied
13 up. You know, I can have a million dollars sitting in
14 containers that I can't sell. I can't do anything.
15 They're just sitting there. And you call the freight
16 companies and they're like, when we get to them.

17 MR. LEVY: My last question, I think Mary
18 may have already handled it mainly, but you had
19 mentioned that the imports from Spain are coming in at
20 low prices than what you were able to offer. When
21 were they coming in?

22 MR. HENDRICKS: The first quarter of this
23 year.

24 MR. LEVY: The first quarter of this year.

25 MR. HENDRICKS: And what they did -- it was

1 from a company called Tixa, but they also call
2 themselves Trends something. They're the largest PC
3 strand manufacturer in Europe. And it was an
4 interesting situation because they sent a salesperson
5 to the U.S. and they hit the entire -- as I understand
6 it, they hit the entire east coast. They definitely
7 hit everyone that I sell to. And their lead-in line
8 when they came to the door was we'll beat any Chinese
9 price and we'll give you terms, because I don't give
10 terms. My customers either pay with the shipment or
11 they pay within 10 days. So, on a trial container, I
12 might give them 30 days because they're nervous and
13 they want to see the material invested. But after
14 that, I'm not their bank. They need to have their own
15 financing. So, when they came in with prices that
16 were better than mine and gave people 30 and 60 days,
17 I was out.

18 MR. LEVY: Okay.

19 MR. HENDRICKS: I entered those bills lading
20 for those sales that I lost.

21 MR. LEVY: Okay.

22 MR. HENDRICKS: We subscribe to a service
23 called Import Genius. So, every day when I get up, I
24 search for PC strand imports and because the
25 Portuguese want to call it string steel, we search for

1 string steel. So, as current as Import Genius is, I
2 know what imports have come in since the day before.

3 MR. LEVY: Okay. And just to make sure I'm
4 clear, so when you're talking about no beating --
5 you're not being able to beat the Spanish price coming
6 in, it's not a case that your prices have gone up
7 significantly from before?

8 MR. HENDRICKS: No and, you know, it's a
9 classic example of something that my attorney hasn't
10 been able to explain to me. On that account, I'm not
11 competing with the Petitioners. And I don't like
12 losing sale to the Spanish. So, I became more
13 competitive. It seems like the smart thing to do.
14 Why do I want to lose that business? It's the
15 business I'm in of selling imported strand. So, I
16 became more competitive. So, the interesting fact is,
17 is that now Tixa will not even return any of its
18 customer's phone calls or e-mails. And the only thing
19 I can guess is until this trade investigation is over,
20 they don't want to be in the market. They came in and
21 disappeared.

22 MR. LEVY: Okay. Thank you. Those are all
23 the questions.

24 MR. ASCIENZO: Thank you, very much. Ms.
25 Klir? No questions. Mr. Wise?

1 MR. WISE: I have no questions, but thank
2 you for coming in today.

3 MR. ASCIENZO: Thank you. Mr. Corkran, any
4 questions?

5 MR. CORKRAN: Yes, I do, just a few. And
6 likewise, I would like to thank you, very much, for
7 coming and testifying today. It's been very
8 enlightening. You've already shed some light on some
9 of the sources that you use for your corporate
10 research, your market research. I was wondering, are
11 you aware of or do you follow -- is there a
12 publication that you are aware of that summarizes the
13 Chinese industry that produces PC strand? I know
14 there are some national steel organizations that will
15 keep shipment or production data. Is there anything
16 that you are ware of for China?

17 MR. HENDRICKS: Of the Chinese showing what
18 they export?

19 MR. CORKRAN: Not so much what they export.
20 Some steel organizations, Korea and Japan, others that
21 I'm aware of, they actually publish statistics on --
22 in very broad steel categories what production and
23 shipment is for those particular products. I was
24 wondering if you were aware of anything similar for
25 China.

1 MR. HENDRICKS: I know that they have the
2 trade organizations and I don't know what records they
3 keep. But, I have a real simple answer and that is my
4 wife can call them and ask them and find out and they
5 will tell her. And if they have them, I will promise
6 you we will make them available to you. Whatever they
7 say, they say.

8 MR. CORKRAN: Thank you. I very much
9 appreciate it. It may be the situation that this is a
10 product that is too narrowly defined to be captured in
11 any sort of statistical database; but, if it's there -
12 -

13 MR. HENDRICKS: I know they have trade
14 associations for it, so they may have data for the
15 particular trade association.

16 MR. CORKRAN: And I think you may have
17 touched on this, but just to kind of close the loop.
18 Can you give me a sense of the primary regions in
19 which you sell? Is it pretty much the east coast? Is
20 that your primary area of sales?

21 MR. HENDRICKS: The east coast, including
22 like Florida, all the way up and down, yes, I would
23 say -- and Chicago is kind of -- I don't know if that
24 would be more mid-west than east coast. But, Chicago
25 has been a very good account for me.

1 MR. CORKRAN: And the finally, the type of
2 customers to which you sell, are they primarily using
3 pretension or are they post-tension type customers?

4 MR. HENDRICKS: The majority is pretension,
5 okay. But, I do have some pretty good sales to people
6 that are post-tension.

7 MR. CORKRAN: Thank you, very much. I very
8 much appreciate all of your testimony today. It's
9 been very helpful and I have no further questions.

10 MR. ASCIENZO: And I, also, thank you for
11 your presentation and your answers. I have a few more
12 questions. Tensioning, is that pulling, pulling and
13 twisting? How does that work?

14 MR. HENDRICKS: Are you asking in the
15 application or in the manufacturing?

16 MR. ASCIENZO: In the application.

17 MR. HENDRICKS: In the application, they use
18 something called a strand chuck. And probably when
19 you were a kid, you stuck your finger into a little
20 tube and as you pulled it back, it would grip your
21 finger and you couldn't pull it any farther. It's a
22 similar type apparatus. It's a chuck that's round
23 like this. You can see them in some of the pictures.
24 And what happens is, is they put the strand through it
25 and they call it the dead end, okay. The dead end

1 doesn't really move. And that strand seats inside the
2 chuck, just like your finger would when you're pulling
3 that tube. On the far end, they also pull it through
4 a chuck. That's called a live end. And they have a
5 jack that's typically hydraulic, and they can --
6 usually, they'll tension to say maybe 3,000 pounds and
7 then they'll mark a point on the strand and then they
8 will tension it the rest of the way, which might be,
9 say, 28,000 pounds. And as it is tensioned, when they
10 let go of it with the jack, the chuck on the end, the
11 live end, it will seat. And at that point, you've got
12 26, 28,000 pounds of stress on the strand before they
13 pour the concrete over it.

14 If you look in the pictures that I gave you
15 of the beam, you'll see the little -- there are little
16 round chucks, they're about that long and they're
17 round, and it just goes right through -- there's
18 little wedges in there and it will go in one way, but
19 it won't come back the other.

20 That's different from the application on the
21 PE coated, where they put the PE coated in the slab,
22 like the pictures I gave you, they pour the concrete
23 around it, they give it time for the concrete to cure.
24 They have a dead end on that, as well, that has a
25 chuck on it. And on the live end, it has a chuck.

1 And they come out and they crack the concrete out a
2 little bit and they put the jack on the end and they
3 tension it to the same, possibly 28,000. It's usually
4 a percentage of the load that it's rated for. It's
5 not the same. All the different strands are different
6 diameters and they'll set to different load. But, say
7 it's 80 percent of the load. So, they do that
8 afterwards and that's the purpose of the grease on the
9 plastic, because the concrete -- if you poured
10 concrete around the strand and it cured, there will be
11 no way for you to tension it. The concrete would hold
12 it. So what happens is inside that plastic, the
13 grease, that jack can pull it and it just kind of
14 slides through the PE coating. It reaches the tension
15 that it needs to and they let it go and the chuck on
16 the live end rips it and it's under that load forever.

17 MR. ASCIENZO: Thank you. So, embedded in
18 concrete, it seems to be -- have the same use as
19 rebar, in many cases. No? Okay.

20 MR. HENDRICKS: You should ask them. They
21 know a lot more about it than I do. Rebar doesn't
22 carry a load like PC strand does. PC strand is
23 designed to be tensioned at every load. Rebar doesn't
24 carry load like PC strand does. PC strand is a
25 numerical product. It's revolutionized construction,

1 in my opinion.

2 MR. ASCIENZO: Okay. You seem to know quite
3 a lot about the Chinese industry. And I think there
4 was testimony this morning that that industry was
5 essentially new, was built from 2000 on. I think
6 that's what was said this morning. And then we heard
7 other testimony this morning from a few of the
8 producers that they've had modernization projects. In
9 your opinion, is the protection abilities of the U.S.
10 producers and the Chinese producers, are they about
11 the same? Are they as efficient as -- are they both
12 about the same level of efficiency?

13 MR. HENDRICKS: I've never been in any of
14 their facilities. I heard Mr. Woltz say that they
15 upgraded 1970s equipment this year with, I'm assume,
16 state-of-the-art equipment. The Chinese manufacturers
17 that I deal with all have state-of-the-art equipment.
18 I'm not interested in buying any kind of stand that's
19 not the highest quality. So, I would -- I think where
20 the inefficiencies are in the U.S. industry is in
21 transport. That's what you're getting at. I think
22 they have the same equipment. I think they probably
23 have more productive workers. The problem is steel is
24 heavy. It's very heavy. And the Chinese are
25 competitors. They're smart. They're going to do

1 everything smart. My favorite manufacturer, he's a
2 friend and he's also extremely competitive and makes a
3 very high-quality product, his manufacturing facility
4 is less than five miles from the steel mill. He can
5 order up wire rod and have it in a half an hour.
6 That's smart. Imagine bringing rod from China all the
7 way to the U.S., putting it on a barge, taking it up
8 the Mississippi and then putting in on a truck,
9 hauling it into the mountains to make PC strand. It's
10 not very efficient.

11 And the next thing is, is that the
12 manufacturer that I just mentioned is less than five
13 miles from the port. So, when he finished
14 manufacturing, it's on a ship. You know what? If
15 that's not fair competition, then I'm just telling the
16 truth, that it's smart and it's efficient and it's why
17 they beat us.

18 MR. ASCIENZO: Thank you. I think I might
19 heard testimony, but I want to ask about the makers of
20 the machinery. Are they all Italians? Are there a
21 few major producers? Or how does that work?

22 MR. HENDRICKS: They know so much more about
23 it than I do. The higher-end manufacturing plants are
24 Italian equipment. They seem to have -- the Italians
25 seem to have the highest quality equipment for this

1 wire drawing and the twist lines. So, no, all
2 equipment is not Italian. In China, some of the
3 manufacturers will have drawing lines that are Italian
4 made and then they'll have drawing lines that are
5 Chinese made. And when we buy the material, we
6 specify which drawing line it's going to be made on
7 and then we have family in there to make sure that's
8 where it's made, because I don't want it made on the
9 different quality drawing line.

10 When I said that Chinese strand is best for
11 this country, I don't mean it's better than domestic.
12 What I mean is, if there are going to be imports, it's
13 the highest quality and it's the best priced. I'm not
14 saying it's better than American-made strand. I would
15 never say that. What I will say is, is that if the
16 Petitioners are going to abandon the private sector
17 market, make the high margins in the Buy American
18 market, then I think Chinese strand is the best and I
19 want to sell it. I'm just telling you the truth.

20 MR. ASCIENZO: Thank you, very much. And
21 then my final question kind of dovetails into what you
22 just said. If you could summarize your argument, your
23 mathematical argument there in your post-hearing brief
24 --

25 MR. HENDRICKS: Be happy to.

1 MR. ASCIENZO: -- post-conference brief,
2 excuse me, that would be appreciated. And with that,
3 that's my final question. Do we have any follow-up
4 questions from members?

5 (No questions.)

6 MR. ASCIENZO: Well, thank you, very, very
7 much, for your direct testimony and all of the answers
8 to your questions. And with that, we turn to the
9 rebuttal and final comments. Let's take about -- are
10 you ready to start right now, sir? Okay, then, we'll
11 have Mr. Rosenthal come forward and start. Thank you.
12 Whenever you're ready.

13 MR. ROSENTHAL: Thank you. There's an old
14 adage in the newspaper business that when a dog bites
15 a man, that's not news; but when a man bites a dog,
16 that's news. Today, in this hearing, we have the
17 equivalent of a man bites a dog story and the
18 testimony of Mr. Tim Johnson. And what you heard
19 there is something that you rarely hear in one of
20 these hearings, which is an importer testifying about
21 the chaos and the injury caused by imports, some of
22 which he has purchased himself. And you asked why he
23 would be willing to get up and make that statement,
24 other than his desire to have an entry in Profiles in
25 Courage. The answer is because he has seen the effect

1 on the domestic workers and his suppliers and
2 recognizes a need for a domestic industry, as well as
3 the competition he's facing from the gentleman you
4 just heard from earlier, Mr. Hendricks, apparently a
5 good person of goodwill and I don't ascribe any ill
6 motives to him, but has no idea about the effect of
7 pricing in the marketplace and what it is doing to
8 domestic jobs. He says he cares. I believe he does.
9 But, whatever the motivations are, however high minded
10 they might be, the effect is the same and that's
11 injury to the domestic industry.

12 One of the interesting and important
13 elements of Mr. Johnson's testimony was his
14 confirmation of the persistent underselling by Chinese
15 imports. There's no question about that. Indeed, one
16 of the nice things about having Mr. Hendricks testify
17 is that he basically corroborated that testimony right
18 here this morning. In fact, the testimony that Mr.
19 Johnson described with the underselling that he
20 described in his testimony was described as causing
21 chaos in the marketplace.

22 He, also, mentioned in his testimony a key
23 element, which is this inventory buildup that began in
24 2008 and continued into 2009. That buildup was a
25 major reason why you saw a drop off of imports. There

1 is simply no place for the imports to go. They
2 weren't being sold. And why continue importing when
3 you've got a backup of inventory? With all due
4 respect, and I appreciate the attempts at humility by
5 Mr. Hendricks and admitting that he occupied a rather
6 small portion of the marketplace and did not have
7 visibility into a lot of what other people did, he,
8 himself, may not hold inventory, but a lot of other
9 large importers do and continue to have the capacity
10 to do that.

11 There's no question that the Chinese imports
12 and the inventory that arose from them continue to
13 overhang the market throughout 2008 and 2009. That's
14 in addition to their large ramp up of imports in prior
15 years and their large share of market increase that
16 also took place over the entire period of
17 investigation.

18 Mr. Johnson, also, testified as the
19 inventories of Chinese materials were being worked off
20 over the course of this year, he has resumed importing
21 again and he's not alone. Information already
22 collected in the record indicates that others have
23 made purchases and you'll be seeing a resumption of
24 the imports very -- in a much more vigorous fashion
25 very, very soon.

1 While Mr. Johnson is unusual in his
2 willingness to testify openly about the injurious
3 effects of imports in the market, it's fair to say
4 that information gathered thus far by the importers
5 and purchasers, in addition to the testimony of Mr.
6 Hendricks that corroborates Mr. Johnson's testimony --
7 and by the way, I would like to thank the staff for
8 the extraordinary efforts that you made thus far to
9 collect information, particularly about lost sales and
10 revenues at this early stage in the investigation. As
11 Ms. Cannon indicated, I don't think you've seen this
12 kind of information about lost sales and revenues at
13 this early stage -- I think maybe it's Ms. Beck, but
14 either one, we all agree that it was a great effort
15 and an unbelievable amount of information that
16 corroborates the allegations we've made.

17 Mr. Wisla acknowledged at the beginning the
18 commodity nature of the product at issue. It was
19 confirmed at great length by his client. At it's very
20 clear to anyone, who follows commodity products, that
21 if you got the lowest price, you're the one that's
22 going to gain market share. Well, take a look at the
23 market share growth by the Chinese over the course of
24 the current investigation and prior to that. They are
25 the ones, who gained the market share. They are the

1 ones with the lowest price. And when you've got a
2 commodity product, where quality is basically equal,
3 where virtually everything else is equal, if you are
4 the one, who is gaining market share, you're one with
5 the lowest price. You're the one, who, arguably, is
6 disrupting the marketplace -- not arguable, it's a
7 fact.

8 I want to just turn a little bit to Mr.
9 Hendricks' chart. Not that one -- actually, we'll
10 focus on this one first. But, that chart explains
11 very well how his company undersells Insteel and also
12 explains what Insteel was driven, not willing, from
13 the post-tension market, although would like to get
14 back in there and continues to hope it's that kind of
15 analysis that we don't disagree with, in the sense
16 that it shows why Insteel is being undersold. He
17 doesn't need to make as much a profit as Insteel. He
18 doesn't carry inventories. He doesn't have production
19 units. He doesn't have large numbers of employees.
20 He doesn't have to invest in equipment. He doesn't
21 have to make investments for the future. They're a
22 couple of people, you get on the Internet, you get the
23 lowest price and you put it out in the marketplace.
24 And better than that, if you don't get a low price
25 from the first Chinese company that you call, you can

1 call seven more until you get the price that you want.
2 That may not be a bad thing from Mr. Hendricks' point
3 of view, but it certainly is harmful to companies in
4 the U.S., who have to worry about returns on
5 investment, profit to build equipment, and have lots
6 of workers, who produce the product.

7 By the way, we, also, know that despite the
8 blurring, the post-tension market does not equal the
9 commercial market. There is lot of commercial market
10 that is not post-tension. And, indeed, the testimony
11 that Mr. Hendricks gave about the particular customer
12 Spancrete as his biggest customer, or one of his
13 biggest customers, proves that the Chinese are making
14 inroads into the pre-cast business, because they are
15 pre-casters. They are not post-tensioners. And by
16 the way, Spancrete happens to be a long-term NCL
17 customer. So, that bit of evidence really makes our
18 case even stronger.

19 By the way, there are a number of different
20 aspects of Mr. Hendricks' testimony that we disagree
21 with factually, particularly in his discussions with
22 respect to his dealings with Insteel, but we will put
23 those in our post-hearing brief.

24 By the way, one more misleading aspect of
25 the testimony today, and I'm sure it's unintentional,

1 but let's just point it out before we go too far, has
2 to do with Mr. Hendricks' stress of how Canada has
3 been such a major player compared to China in this
4 most recent period. If you take a look at what he
5 provided you, his chart has to do with the value of
6 imports, not the volume of imports. In fact, China's
7 volume in April was 931 tons, versus Canada's 772
8 tons. The reason why they came in number one in value
9 is that the Canadian product is much higher priced.
10 We will get you more on that in our post-hearing
11 brief.

12 And contrary, Mr. Hendricks' claim that the
13 Petitioners are not participating in the private-
14 sector market, that is totally not true. You have the
15 data. You see how much is so-called Buy America. Our
16 estimate is at the high end, 30 percent, you heard
17 that before, more likely closer to 25 percent of real
18 Buy America. But, whatever the actual numbers are,
19 the domestic industry wants to participate in that
20 market. To the extent that they've been driven out of
21 certain accounts or certain areas, it's not because
22 they've gone willingly. They've got the capacity,
23 they've got the desire, and the used to have that
24 market share until the Chinese came in and took it
25 away.

1 Let's see, I mentioned before the man bites
2 the dog story. I don't think I've ever seen an
3 importing witness, now I'm not talking about Mr.
4 Johnson, I'm talking about Mr. Hendricks, give better
5 testimony about the primacy of price in a hearing of
6 this sort. He explained how he sold on price, how he
7 competed against -- he claims not the domestic
8 industry, but we know that's not true. It's the
9 Chinese. Everybody competes on price. And how does
10 he get the lowest price? He goes over or he calls or
11 has his wife call the Chinese producers to say, I want
12 the best price. He claims they're not irrational, but
13 what the Chinese are being told is you've got to give
14 me this price in order for me to sell in the U.S. at
15 the profit that I want to make. Whether those are
16 related to sales cost or not, doesn't mean it's any
17 less disruptive. It doesn't mean that there's no
18 underselling. And Lord knows that it doesn't mean
19 that there is no subsidization or dumping going on at
20 those prices.

21 One last thing with respect to Mr.
22 Hendricks' testimony on inventory write downs. First
23 of all, you will see that the inventory information by
24 NCO and the other domestic producers were provided to
25 you and analyzed completely consistent with GATT, as

1 is the ITC's practice. You will have ample
2 opportunity to test that. But, the important thing
3 there is that when you -- and we've got a couple of
4 accountants across the way, so I'll be very careful in
5 how I say this, but the nature of inventory write down
6 is that you won't realize the value of the inventory
7 due to rapidly declining prices until you sell the
8 finished product. It's not the actual raw materials
9 that are being -- the ultimate driver here. It's, in
10 this case, when you -- when the Chinese drop their
11 price and you're selling, the finished product is when
12 you're valuing the inventory. And so you cannot look
13 at the write downs in inventory without having
14 understanding of what was happening in the market for
15 the finished product. You understand this better than
16 I and I'm sure you will look into this closely.

17 One last comment or two when it comes to
18 threat. There is no question about the ample Chinese
19 capacity to supply the U.S. That was admitted to by
20 Respondents earlier today. As you saw from the import
21 statistics and the market share, the Chinese came from
22 nowhere in 2002, to be the dominant player, at least
23 as far as imports and certainly with the 40 percent
24 market share, a dominant player in the U.S. market.
25 It shows their ability to rapidly penetrate the

1 market. They have ample additional capacity to
2 virtually supply the entire market should they choose
3 to do so. So, there's lots of information about
4 threat in the record. We have heard about the
5 mercantilistic approach to exports on PC strand and
6 the Chinese subsidies and distortions caused by their
7 policies all go to the question of threat.

8 There is no question that the information we
9 give on capacity deals with capacity on pre-stressed
10 concrete stranding lines. It's not just on wire. So,
11 we're talking directly about this particular product
12 at issue.

13 With that, I want to close and thank you for
14 your efforts thus far. I know you've got a lot more
15 work ahead of you. But, there is no question that the
16 record supports an affirmative determination in this
17 case and thank you, again.

18 MR. ASCIENZO: Thank you, Mr. Rosenthal.
19 Ms. Levinson and Mr. Wisla?

20 MS. LEVINSON: Yes. We're going to do a
21 duo. From the offset, I think what one has to note is
22 two very unique features of this case that you very
23 rarely see in cases and that is the recent trends are
24 that imports from China have dipped quite a bit. The
25 decline has been, I think we estimated about 84

1 percent based on publicly available import information
2 in the first quarter of 2009 and, at the same time,
3 the AUVs have gone up. So, usually, when you bring
4 your dumping petition, what you're looking for is the
5 opposite in trends that we see here. And I think the
6 testimony that you've heard today shows that what this
7 case is about is causation.

8 Every industry in the United States right
9 now, including the legal industry, is being injured.
10 The question is what's causing that injury. Is it the
11 recession or is it imports or are there other factors?
12 And what Mr. Hendricks testified to that is extremely
13 important is that there are two markets here and the
14 imports only compete in one. The two markets are the
15 Buy American and Buy American markets and the private
16 sector, which he referred to where there is
17 residential construction and other kinds of
18 construction.

19 Now, I had to -- I must admit, I don't
20 question the good faith of anybody, who appears as a
21 witness here, but it did strike me as extremely
22 bizarre that one of the Petitioners or actually
23 several of their witnesses stated that the stimulus
24 package is not going to make any difference in the PC
25 strand market, as far as the Buy America opportunities

1 that are available to them and not available to the
2 importers. I think anybody with even limited
3 knowledge knows that part of that stimulus package is
4 a huge amount of money that's accorded for building
5 bridges and building highways and all the uses that PC
6 strands are used for and that was shown to you in the
7 pictures by Mr. Hendricks. So, it defies logic that
8 assumes that those opportunities are not going to
9 continue to increase. In fact, we differ with the
10 Petitioners on the fact. We don't believe the Buy
11 American market is limited to about 30 percent. We
12 think it's closer to 50 percent. That is something
13 that we will brief in much more detail.

14 When is say the case is about causation,
15 there's another important fact that is striking about
16 this case and that is that when the Petitioners are
17 doing well, between 2006 and 2008, that's when the
18 Chinese imports were present in the market. And, yet,
19 when the Petitioners started doing poorly, the Chinese
20 exited the market. That's exactly the opposite trend
21 of what you would expect.

22 Another factor that goes to the causation
23 issue is what is happening in the downstream
24 industries. We all know that if the people in the
25 downstream industries aren't building buildings and

1 building highways, they're not buying PC strand. And
2 so to a large extent, and again we'll give much more
3 detail in our post-hearing brief, but to a large
4 extent, the PC strand manufacturers are experiencing
5 the same recessionary environment that everybody else
6 is experiencing and that is particularly hard on the
7 construction industry, that they rely on so heavily to
8 sell the PC strand.

9 Mr. Hendricks testified that there is plenty
10 of product coming in from other countries. The import
11 statistics may not even reflect it all yet, but we
12 expect, especially with this case, that what we're
13 going to see is one more product coming in from Spain
14 and Portugal, Canada. And why is that going to
15 happen? Because there are so many countries that have
16 antidumping duties already imposed on them, and now
17 China, there is a possibility. And at some point, you
18 have to wonder, if the Petitioners have to come to the
19 ITC every single time a new country benefits from the
20 dumping duties that have been placed on other
21 countries, i.e., in this case, they chose not -- for
22 their own reasons, chose not to include China in the
23 2004 cases, now China picked up market share, they
24 didn't pick up the market share. The Chinese picked
25 up the market share. The same thing, and this goes to

1 a Brats type argument, the same thing is going to
2 happen here, you put duties on Chinese importers, then
3 they are not going to pick up the market. It's the
4 Spanish and the Portuguese that are going to pick up
5 the market.

6 At some point, you have to say, if a
7 domestic manufacturer cannot compete against any
8 country anywhere in the world, even countries that
9 have high labor costs and European countries that have
10 perhaps even higher costs for electricity and other
11 manufacturing items, then the United States -- at what
12 point does the United States stop giving them bailouts
13 in the form of additional duties against additional
14 countries?\

15 So, I would ask you to reflect on all of
16 these particular criteria. We, obviously, detail it
17 more in the brief. Thank you, so much, for your
18 attention this morning and we appreciate the hard word
19 you did. Thank you.

20 MR. ASCIENZO: Thank you, very much. On
21 behalf of the Commission and the staff, I want to
22 thank the witnesses, who came here today, as well as
23 counsel, for helping us gain a better understanding of
24 this product and the conditions of competition in this
25 industry. Before concluding, let me mention a few

1 dates to keep in mind. The deadline for the
2 submission of corrections to the transcript and for
3 briefs in the investigation is Monday, June 22nd. If
4 briefs contain business proprietary information, a
5 public version is due June 23rd. The Commission has
6 tentatively scheduled its vote on the investigations
7 for July 10th at 11:00 a.m. It will report its
8 determinations to the Secretary of Congress on July
9 13th. Commissioners' opinions will be transmitted to
10 Commerce on July 20th. Thank you, very much, for
11 coming today. The conference is adjourned.

12 (Whereupon, at 1:52 p.m., the preliminary
13 conference was concluded.)

14 //
15 //
16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Prestressed Concrete Steel Wire Strand
INVESTIGATION NOS.: 701-TA-464, 731-TA-1160 (Preliminary)
HEARING DATE: June 17, 2009
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: June 17, 2009

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: Tammy Brodsky
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 Del Pino
Signature of Court Reporter