

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
GALVANIZED STEEL WIRE FROM) Investigation No.:
CHINA AND MEXICO) 701-TA-479 and
) 731-TA-1183-1184 (Final)

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P R O C E E D I N G S

(9:30 a.m.)

1
2
3 CHAIRMAN OKUN: Good morning. On behalf of
4 the U.S. International Trade Commission, I welcome you
5 to this hearing on Investigation No. 701-TA-479 and
6 731-TA-1183 to 1884, Final, involving galvanized steel
7 wire from China and Mexico.

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

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

21 All witnesses must be sworn in by the
22 secretary before presenting testimony. I understand
23 the parties are aware of the time allocations. Any
24 questions regarding the time allocations should be
25 directed to the secretary.

1 Speakers are reminded not to refer in their
2 remarks or answers to questions to business
3 proprietary information. Please speak clearly into the
4 microphones and state your name for the record for the
5 benefit of the court reporter.

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

10 Mr. Secretary, are there any preliminary
11 matters.

12 MR. BISHOP: No, Madame Chairman.

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

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

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

20 MR. BEHAR: Thank you, Madame Chair. I'm
21 sorry I missed you last week in another hearing, but
22 I'm happy to see you here today. Madame Chair and
23 members of the Commission, the government of Mexico
24 thanks you for the opportunity to express its views on
25 this case.

1 For the record, I am Salvador Behar from the
2 embassy of Mexico, legal counsel. First of all, I
3 would like to emphasize the concerns the Mexican
4 Government has regarding this investigation and the
5 merits in this case. First, there are no elements in
6 terms of articles 3.4, 3.5, and 3.7 of the antidumping
7 agreement to conclude that the U.S. industry is
8 materially injured by reason of alleged dumped imports
9 of GSW from Mexico.

10 The public staff report shows an improvement
11 of the domestic industry of GSW during the analyzed
12 period supported by the following points. A, U.S.
13 production and related workers employed by the
14 domestic industry and domestic producers increased
15 from 2009 to 2011. The U.S. producers' share of the
16 U.S. total market and the U.S. merchant increased from
17 2009 to 2011.

18 Overall, domestic producers U.S. shipments
19 in terms of quantity increased from 2009 to 2011.
20 U.S. producers' capacity utilization increased from
21 2009 to 2011. U.S. producers' gross profits on
22 commercial sales increased by 27 percent from 2009 to
23 2011. All this appears in the record.

24 Volume analysis. The total U.S. market held
25 by Chinese and Mexican imports remain virtually at the

1 same level from 2009 to 2011, plus .1 percent
2 percentage point. In the merchant market, the share
3 held by Chinese and Mexican imports decreased by .3
4 percent point from 2009 to 2011. We want to highlight
5 that China's share of the total U.S. market decreased
6 by 2.9 percent percentage points from 2009 to 2011,
7 going from 6.9 to 4 percent, while the share held by
8 Mexican imports increased by 2.9 percent percentage
9 points, going from 7.9 in 2009 to 10.4 in 2011.

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

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

24 Moreover, the average subject imports
25 increased by 10 percent from 2009 to 2011. In

1 addition, the Commission must consider, as many
2 purchasers stated, that one or more U.S. producers are
3 price leaders in the U.S. market for price increases
4 and price decreases.

5 With regards to threat of injury, the report
6 states that total import and exports from Mexico are
7 projected to decrease. The report establishes that
8 Mexican and Chinese producers have limited capacity,
9 which they could increase production of GSW in the
10 event of a price change. It is also mentioned that
11 both responding Mexican producers indicated that they
12 produce products other than galvanized steel wire on
13 the equipment and machinery that is used to produce
14 galvanized steel wire, and their ability to shift
15 production from alternative products to galvanized
16 steel wire appears to be limited. Therefore, there is
17 no probabilities of an increase of Mexican exports in
18 the foreseeable future.

19 Regarding other injury factors, when the
20 Commission analyzes all of the factors mentioned in
21 article 3.5 of the antidumping agreement, you'll be
22 able to distinguish that Mexican and Chinese imports
23 are not the cause of the alleged injury, and that it
24 can be attributed to other factors such as exports by
25 the U.S. producers as the share of total shipments

1 decreased in 2009 to 2011.

2 The Commission's report stated that some of
3 the producers have been unable to supply GSW since
4 January 2008, and that during that year, the one
5 producer had to use all its production capacity to
6 meet internal demand.

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

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

19 Mexico respectfully requests that the
20 Commission considers the fact that the United States
21 is Mexico's closest and most important trading
22 partner. We ask the Commission to take this into
23 account and further conclude that imports of GSW from
24 Mexico are not the source of injury or threat thereof
25 in this investigation.

1 Thank you very much, Madame Chair, and
2 members of the Commission.

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

5 MR. BEHAR: Thank you.

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

9 CHAIRMAN OKUN: Good morning, Mr. Waite.
10 Make sure your microphone is on.

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

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

22 But let me say now that galvanized steel
23 wire is a commodity product. It is sold principally
24 on the basis of price, and producers in different
25 countries, including Mexico and China, are able to

1 supply virtually identical products. There are no
2 significant quality or other nonprice differences that
3 distinguish galvanized wire made by U.S. producers and
4 subject imports. In other words, galvanized wire is
5 interchangeable regardless of source.

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

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

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

25 For example, imports from Mexico increased

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

11 Looking at the import data and average unit
12 values, China and Mexico appeared to be jockeying for
13 position to be the lowest price supplier of galvanized
14 wire in the U.S. market. Mexico's AUVs dropped
15 dramatically in 2009 to a level well below those of
16 China and the U.S., and they continued to be lower in
17 2010 and 2011.

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

24 It should come as no surprise, therefore,
25 that the U.S. Commerce Department this week announced

1 substantial antidumping and countervailing duty
2 margins against both of these import sources. The
3 dumping margins from Mexico ranged from 21 percent to
4 38 percent, and the dumping margins for China ranged
5 from 194 percent to 235 percent. The final subsidy
6 rates for China ranged from 19 percent to 223 percent.

7 Imports from the subject countries have had
8 and are continuing to have a significant injurious
9 impact on the domestic industry. Shortly, you will
10 hear from industry witnesses about some of the
11 specific negative effects that these dumped and
12 subsidized imports are having on individual companies.
13 Most significantly, the low prices by subject imports
14 have prevented U.S. producers from being able to raise
15 their prices, and this has resulted in operating
16 losses for the industry in every year of the POI, not
17 only in the recession year of 2009.

18 Thank you.

19 CHAIRMAN OKUN: Thank you.

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

24 CHAIRMAN OKUN: Good morning, gentlemen.
25 You may proceed.

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

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

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

24 The Petitioners' case boils down to price
25 suppression. That's where they tried to show a link

1 between subject imports and harm to the U.S. industry.

2 But the record reveals a lack of any significant
3 link. The domestic industry's cost-to-price ratio
4 decreased as subject imports rose in volume and market
5 share, and increased as subject imports fell in volume
6 and market share.

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

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

19 The U.S. industry was profitable on
20 commercial sales throughout the POI. On threat, the
21 record provides ample evidence that subject imports
22 from Mexico and China would likely compete differently
23 in the U.S. market, including significant differences
24 in incentives to ship to the U.S., industry size, and
25 geographic concentration.

1 We therefore encourage the Commission to
2 exercise its discretion to conduct a separate threat
3 analysis for Mexico. Going forward, Deacero, the
4 largest Mexican producer, plans to dramatically reduce
5 its shipments of galvanized steel wire to the U.S.
6 Taken together with the lack of correlation observed
7 in the present injury analysis, this means that
8 subject imports from Mexico do not pose a significant
9 threat of harm to the domestic industry. Thank you.

10 MR. CAMERON: Don Cameron on behalf of
11 WireCo WorldGroup. WireCo is a U.S. manufacturer of
12 high-carbon galvanized steel wire, which is used to
13 produce high-quality wire rope. WireCo also imports
14 high-carbon GSW produced by its Mexican subsidiary,
15 Camesa. We agree with the points made by counsel for
16 Deacero, but we also urge the Commission to look at
17 high-carbon galvanized steel wire with a content over
18 0.64 percent carbon content as a separate like product
19 from low-carbon GSW.

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

24 Imports of high carbon galvanized steel wire
25 are limited and declining during the POI. These

1 imports are also at higher prices than low-carbon GSW,
2 and these imports don't compete with low-carbon GSW.
3 The limited and declining volumes of high-priced,
4 high-carbon galvanized steel wire are not causing or
5 threatening material injury to the U.S. industry.
6 However, these imports are vital to WireCo's domestic
7 manufacturing because it complements WireCo's domestic
8 production of high-carbon galvanized steel wire for
9 captive use.

10 We urge the Commission to look carefully at
11 this issue. Thank you for your time.

12 CHAIRMAN OKUN: Thank you.

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

18 (Pause.)

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

21 MR. WAITE: Thank you again, Madame
22 Chairman. Once again for the record, my name is Fred
23 Waite, on behalf of the Petitioners. With me from my
24 firm of Vorys, Sater, Seymour and Pease are my
25 colleagues, Kimberly Young and Sutton Meagher. Also

1 with us today is Dr. Patrick Magrath.

2 We have provided some samples, as I
3 mentioned in my opening remarks, for the Commission to
4 view during the testimony. We have also provided
5 those samples to Respondents. We will begin our
6 presentation this morning with Peter Cronin of the
7 Heico Wire Group.

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

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

22 Before that, I was the executive vice
23 president of Davis Wire Corporation for five years. I
24 spent 11 years with Davis Walker, which was the
25 predecessor of Davis Wire. I also served as president

1 of the American Wire Producers Association.

2 Davis Wire has three production facilities
3 to make galvanized wire. They are located in
4 Irwindale, California; Kent Washington; and Pueblo,
5 Colorado. Our Irwindale plant has three galvanizing
6 lines, although only two are currently working full
7 time. Our Pueblo facility has two galvanizing lines,
8 with only one in operation, and our Kent plant has one
9 line.

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

19 All of our galvanizing lines are state-of-
20 the-art and very cost efficient. Galvanized wire is
21 sold primarily on the basis of price. Because of the
22 low prices from China and Mexico, we have had to sell
23 galvanized wire at extremely low prices to be
24 competitive. Even during the recent recession,
25 imports of galvanized wire from China and Mexico have

1 escalated. During the past few years, Deacero, which
2 is the primary producer in Mexico, has kept up the
3 pace in the U.S. market, increasing their volumes and
4 dropping their prices.

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

12 As a result, 10-gauge and 18-gauge wire
13 could be of similar prices, despite the fact that the
14 amount of direct labor to produce these gauges is very
15 different. One hundred pounds of wire converts to 660
16 yards of 10-gauge wire, whereas the same 100 pounds of
17 wire converts to more than 6,000 yards of 18-gauge
18 wire. It takes a great deal more labor time to draw
19 6,000 yards than to draw 660 yards.

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

25 We compete against both Mexico and China in

1 all of our primary end-use markets. For example, we
2 produce galvanized wire, which is then used in the
3 production of chain-link fencing. We call it chain-
4 link weaving wire because the fencing manufacturers
5 weave the wire to produce a chain link pattern.

6 Fencing is a significant market for
7 galvanized wire in the U.S., and suppliers of
8 galvanized wire from Mexico and China are constantly
9 reducing their prices for this application.

10 Vineyard wire is another product made from
11 galvanized wire. This is the wire used by vineyards
12 for tying up the grape vines. And it is obviously an
13 important product for us on the West Coast. This has
14 become a big import item from both China and Mexico.

15 Another common use of galvanized wire is in
16 the recycling industry. Baling wire, which is
17 galvanized wire, is used to produce bale ties for
18 securing cardboard and other materials to be recycled.
19 Here too, imports from China and Mexico have
20 aggressively dropped their prices to increase market
21 share.

22 We have recorded lost sales and lost revenue
23 for all of these products as a result of low-priced
24 offers to our customers from China and Mexico. As a
25 result of the very low import pricing, we have been

1 unable to invest in our galvanizing operations or
2 expand our capacity. Our board would never consider a
3 proposal to bring on new capacity when we have two
4 galvanizing lines that are shut down.

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

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

25 As I mentioned, our plants use wire rod to

1 produce wire for galvanized wire production. We
2 purchase wire rod from various sources, and rod
3 pricing has gone up and down over the past three
4 years.

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

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

19 Thank you very much.

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

22 MR. WEINAND: Good morning. My name is
23 David Weinand, and I am here on behalf of Oklahoma
24 Steel and Wire Company. We are also one of the
25 Petitioners that filed trade cases against galvanized

1 wire imports from China and Mexico. Oklahoma Steel
2 and Wire is located in Madill, Oklahoma, and it has
3 two related companies that also produce galvanized
4 wire, Iowa Steel and Wire, in Centerville, Iowa, and
5 Southwestern Wire in Norman, Oklahoma.

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

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

21 Our rod mill has been in operation since
22 2004, and it supplies the wire rod input for each of
23 our wire companies. We also sell wire rod to the
24 commercial market. The galvanized wire that we
25 produce is sold into the open market, as well as used

1 internally to make downstream products. The vast
2 majority of the galvanized wire sold to the outside
3 consumer market is sold by Iowa Steel and Southwestern
4 Wire.

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

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

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

22 One point that I wanted to emphasize is that
23 galvanized wire is made to meet a specific requirement
24 for the end-use application, and carbon content is
25 just one of several factors that must be considered.

1 Other factors include diameter size, tensile strength,
2 and coating weight. Our industry makes galvanized
3 wire products with all the various combinations of
4 these factors, and we all produce products along the
5 continuum of products.

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

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

19 We also sell galvanized wire to our
20 customers, who manufacture many different types of
21 products like chain-link fence and bale ties for the
22 recycling industry. They also produce many consumer
23 products, such as paper clips and tomato cages.
24 Vineyard wire is another type of galvanized wire that
25 we sell to customers.

1 We compete against imports in all of our
2 markets, whether geographically or in terms of the
3 end-use market. For example, we sell galvanized wire
4 throughout the United States, and we see Deacero
5 everywhere. Their pricing is usually the lowest
6 offered in the market.

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

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

20 The coating level of the zinc affects the
21 cost as well. A thicker coating such as a class four
22 or five, is more expensive than a commercial or class
23 one coating for the same diameter of wire. Also,
24 there can be significant cost differences in applying
25 the same coating to different diameters. For example,

1 it may cost \$160 a ton to put a class three coating on
2 the 14-gauge wire, but only \$90 a ton for a 9-gauge
3 wire.

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

15 You might hear claims that Oklahoma Steel
16 and Wire is somehow insulated from the impact of
17 imports because we internally consume a large portion
18 of our galvanized wire production. But this is simply
19 untrue. Our reporting includes three companies:
20 Oklahoma Steel, Iowa Steel, and Southwestern Wire.
21 Oklahoma Steel itself only sells about 1 percent of
22 its galvanized wire to the outside market. In the
23 case of Iowa Steel and Southwestern Wire,
24 traditionally about 40 percent of our revenue comes
25 from the sale of galvanized wire.

1 These two companies have seen significant
2 impacts on their business due to imports, resulting in
3 plant slowdowns and layoffs. We have never sold
4 imported galvanized wire to our customers instead of
5 producing the wire ourselves. We want to manufacture
6 the product here.

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

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

21 This new wire drawing equipment would have
22 allowed us to expand our capacity and increase our
23 productive efficiencies, but we could not justify such
24 an investment in light of the market conditions. If
25 imports from Mexico and China continue to arrive at

1 below our costs, then our companies will be forced to
2 downsize our operations. And while we would try to
3 continue to compete in our downstream markets, having
4 to abandon the galvanized wire market would force us
5 to right-size our business to the lower reality of the
6 business volume.

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

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

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

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

19 I've been in the steel wire business for
20 more than 20 years. I joined Mid-South in 1999, and
21 I've been in my current position since 2008. Prior to
22 Mid-South, I worked for two other wire companies with
23 galvanizing lines. One was an electrogalvanizing
24 mill, and the other used the hot-dipped process. So I
25 have experience with both types of galvanized wire.

1 Mid-South has been in operation since 1967.
2 In addition to our facility in Nashville, we have a
3 wire drawing plant in Scott City, Missouri. However,
4 we produce galvanized wire only in Nashville. The
5 galvanizing line in Nashville was installed in 2002,
6 and it is housed in a separate building from our wire
7 mill. When the company laid out the line, it was
8 designed so that we could add a second galvanizing
9 line if and when business supported it.

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

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

22 Between 10 and 15 percent our wire is sent
23 to our galvanizing operation to be hot-dipped
24 galvanized. Mid-South produces wire sizes in the
25 range of .072 to .283 inches in diameter. Nearly all

1 of our galvanized wire is produced to order. We sell
2 very little from inventory. Our industrial galvanized
3 -- our industrial-quality galvanized wire is used in
4 the production of a wide range of downstream products,
5 including poultry cages, paint can and bucket handles,
6 bale ties, and miscellaneous wire forms. These are
7 just some of the products that are customers produce
8 from our wire.

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

19 This means that 120,000 pounds of molten
20 zinc used for hot dipping the wire was solidified into
21 one solid brick. After the flood waters receded, the
22 galvanizing line had to be rebuilt. Given the market
23 conditions and the impact of imports on our business,
24 it may seem surprising that we incurred those costs to
25 rebuild the galvanizing line.

1 It was a tough decision to make this
2 investment. But the galvanizing line is integral to
3 Mid-South's operations. We made the decision to
4 rebuild primarily because of our many basic wire
5 customers who also purchase galvanized wire, and
6 because the galvanizing line is a significant customer
7 to our wire mill each year.

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

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

25 During this period, we did not import or

1 purchase imported wire from China or Mexico, not that
2 it wasn't readily available in the U.S. at very low
3 prices. In fact, we've never imported or purchased
4 imported galvanized wire.

5 As you might guess, 2010 was a tough year
6 for Mid-South. Our galvanizing line was out of
7 Commission for half of the year, and this seriously
8 impacted our production and our shipments. But as I
9 mentioned, we were able to purchase galvanized wire
10 from other U.S. producers to meet our customers'
11 requirements.

12 Last year was a better year for us. We
13 successfully completed the recertification of our
14 galvanizing line. We were able to increase our
15 production and shipments over 2010, and we even added
16 some new customers after these trade cases were filed
17 in March.

18 Imports from Mexico, specifically from
19 Deacero, first appeared in our markets in 2005 and
20 2006. At first, we were competing with them primarily
21 on the bale tie business, but then they were showing
22 up across the whole range of our customer base. Our
23 customers are always threatening us with import
24 pricing on these products, which forces us to lower
25 our pricing to maintain the business.

1 One thing that we've noticed about Deacero's
2 behavior in the U.S. market is that their pricing on
3 galvanized wire seems to be the same everywhere,
4 regardless of delivery destination. They would offer
5 the same price in Chicago as in Charlotte. When we
6 quote a delivered price to our customers, we consider
7 the following factors: rod costs, conversion cost to
8 draw the rod to wire, the cost of galvanizing, plus
9 freight, and any margin that we can negotiate.

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

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

21 One of the questions in the Commission's
22 U.S. producers' questionnaire asks about the negative
23 effect of imports. For us, the impact has been lost
24 sales and lost business, reduced margin on sales, and
25 increased potential for selling at a loss in an effort

1 to maintain business.

2 This leads me to a very important point
3 about the negative effects of low-priced imports. Not
4 only have these imports caused lost sales and lost
5 revenues for U.S. producers, but the loss of business
6 for our industry means higher production costs, costs
7 due to underutilized capacity.

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

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

25 Finally, each time you restart a galvanizing

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

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

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

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

22 Previously, I was executive vice president
23 of GS Industries, where I was responsible for all
24 commercial activities for two rod mills and several
25 wire companies. My first job in the steel industry

1 was over 40 years ago, as a sales rep for Bethlehem
2 Steel, and that was in 1968.

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

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

22 As you can see from the samples that were
23 passed around earlier, the zinc coating gives the wire
24 a bright finish. It also provides corrosion
25 resistance to protect the wire from rusting. At

1 Johnstown Wire, we process a tractor trailer load of
2 zinc each week to plate onto the wire. Our facility
3 can plate 42 strands at a time, and we can produce
4 zinc coatings from flash coat all the way to C-
5 coating.

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

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

22 There are two main benefits of
23 electrogalvanizing. First, by plating rather than hot
24 dipping, it is possible to achieve heavier zinc
25 coatings. For example, a class C coating, which is 3

1 ounces of zinc per square foot, can only be achieved
2 using the electroplating process.

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

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

22 I would note that we do not receive any
23 premium on the bread and butter products that we
24 produce with the electroplating process. In the last
25 few years, we have seen a surge in imports of

1 galvanized wire from Mexico and China for the use in
2 making these same general market products. I should
3 also note that both Mexico and China export
4 electrogalvanized wire to the United States. China
5 has been a competitive issue for years, but since the
6 emergence of Mexico as a major exporter to the
7 United States, it has become more difficult to
8 assemble enough tonnage to fill out our mill schedules
9 at prices that make sense financially.

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

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

1 such decisions.

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

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

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

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

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

22 MR. BISHOP: You have 27 minutes remaining.

23 DR. MAGRATH: Thank you. Good morning,
24 members of the Commission, Commission staff, ladies
25 and gentlemen. My name is Patrick Magrath, economic

1 consultant to Petitioners in this case. Today I'm
2 going to discuss the conditions of competition
3 prevailing in the market for galvanized wire in the
4 United States and the effect of unfair imports from
5 China and Mexico on the U.S. industry. I will
6 conclude with some remarks on threat of injury.

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

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

20 These are healthy increases, and one would
21 expect market participants to report rising trade and
22 financial indicia along with the general rise in
23 demand and the improvement in the market. Indeed, as
24 chart 1 shows, shipments of both domestic producers
25 and the subject imports have done just that, as has

1 consumption.

2 But despite this recovery, other critical
3 indicators the Commission considers related to prices
4 and profits have remained stagnant, still at their low
5 points of 2009, as if the recession was still upon us.
6 Specifically, two indicators, both important to the
7 Commission's analysis or customarily important to the
8 Commission's analysis lag the trade indicators badly
9 and are still at recession lows.

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

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

23 The other indicator that sticks out like a
24 sore thumb is the cost of goods sold ratio, as we
25 refer to it here in this -- in our arcane world, the

1 COGS ratio, COGS to sales ratio. This is an important
2 ratio that the Commission relies on to inform itself
3 of any price suppression that may be experienced by
4 U.S. producers. That ratio for this industry is very
5 high, around 95 percent for all three years of the
6 period of investigation. It is evidence that
7 producers cannot raise prices relative to their costs
8 enough to achieve profitability.

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

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

23 Although the overall demand in the market
24 rose by over 10 percent in 2010 from 2009, capacity
25 utilization only attained 60 percent, and in 2011, 66

1 percent. Thus, in terms of supply, one-third of U.S.
2 capacity remains idle, despite two years of increased
3 demand. Mr. Talbot of Mid-South Corporation, who just
4 testified, has detailed how idle capacity, especially
5 in this industry, and especially as concerned the
6 galvanizing line part of the process, how this
7 increases overall costs substantially.

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

14 The reason the domestic galvanized wire
15 industry is before you here today is to explain the
16 reason for this conundrum. The cause of these
17 divergences is the volume and prices of unfair imports
18 of galvanized steel wire from China and Mexico. In
19 terms of volume, subject imports increased both
20 absolutely and relative to domestic consumption in the
21 period of investigation. Imports were about 87,000
22 tons in 2009 but then soared by 24 percent in 2010
23 just as the recovery was getting underway, which
24 effectively squelched any chance for recovery by the
25 U.S. industry that the favorable conditions could have

1 brought.

2 Import levels in 2011 were 17 percent above
3 2009 levels. In fact, they were on pace to exceed
4 2010 levels and would have done so if the preliminary
5 countervailing duty determination against China in
6 September of 2011 and the antidumping determinations
7 against China and Mexico in early November 2011 had
8 not intervened to stop these increases.

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

21 So, given the behavior of both China and
22 Mexico immediately following the filing of these cases
23 in March of last year -- and you can follow that on
24 the left side of this chart -- in which both countries
25 increased their U.S. shipments substantially, the

1 dramatic decline following Commerce's determination
2 should not be misinterpreted as an indication that
3 import suppliers have moderated their intent and their
4 willingness to sell at unfair prices in the U.S.
5 market.

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

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

18 Data gathering has been helped in this
19 particular case, however, by the fact that official
20 import statistics show that 95 percent, 95 percent, of
21 the imports from Mexico, and 70 percent of the imports
22 from China, are of low-carbon wire rod with diameters
23 of 1.5 millimeters or more, one 10-digit HTS number
24 and specifically, two of those dimensions, and that
25 carbon content.

1 Unfortunately, however, three of the seven
2 products for which the Commission gathered pricing
3 data were high-carbon products on recommendation from
4 the Mexican Respondents. So almost half of the
5 pricing comparisons focused on 5 percent of the import
6 sales from Mexico.

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

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

21 And we wish the Commission to examine
22 further a few comparisons in which one high-carbon
23 product in which Mexican prices exceeded U.S. prices
24 by huge, unrealistic margins. If these obvious
25 mismatches are not included in pricing comparisons,

1 such comparisons show that Chinese products for the
2 little representation that they hold undersold U.S.
3 products in 70 percent of total comparisons, and that
4 Mexican wire undersold their U.S. counterparts 77
5 percent of the time. Blanket underselling.

6 Also of note is that the average margin of
7 underselling by Mexican products was in the double-
8 digit range, deep underselling. Underselling then was
9 both broad and deep, and was significant for this
10 commodity-type price sensitive product. Price
11 depression and suppression is also significant.
12 Although Respondent's brief claims there is no price
13 depression, the fact is that in four of five product
14 comparisons -- product prices for the last quarter of
15 the POI, October to December 2011, were lower than
16 those in the opening quarter of the POI, January to
17 March 2009.

18 We want to emphasize what pricing charts --
19 these are from the staff report -- Roman numeral I
20 through Roman numeral IV tell you. And this is in
21 chart 4. Prices fell deeply in the second quarter of
22 2009, and stayed at those recessionary suppressed
23 levels through March 2011, before they began to
24 increase. Again, the key year here is 2010, as the
25 market showed its highest consumption and most vigor

1 of the three-year period.

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

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

19 Price suppression is also clearly evident
20 from the aforementioned COGS to sales ratio, which
21 were 95.3 percent in 2009, 94.1 percent in 2010, and
22 95.1 percent in 2011, the last two being the so-called
23 recovery years for the industry. Although COGS sales
24 ratios at these levels guarantee financial losses on
25 an operating basis, as I've said, the fact that the

1 ratio declined by only 1 percentage point in 2010,
2 with demand up 10 percent, overall demand up 10
3 percent, is again evidence of price suppression.

4 Thus, the increased volume of subject
5 imports, coupled with majority underselling of U.S.
6 producers kept U.S. prices low in this basic
7 industrial price sensitive product. In two of the
8 three years of the investigation, the industry
9 suffered operating losses, including 2011, a year in
10 which domestic production, shipments, and capacity
11 utilization were all well above the 2009 levels.

12 Between those two unprofitable years and the
13 year's highest demand in 2010, the domestic industry
14 could only muster zero percent profitability. In a
15 rising market, when the industry's high year is only
16 zero percent, we feel the industry is clearly injured.
17 The increased volume of imports, the blanket
18 underselling by the subject imports, and the
19 widespread price depression and suppression clearly
20 point to subject imports as the cause of the
21 industry's injurious performance in this three-year
22 period.

23 Finally, we come to the threat issue.
24 First, again déjà vu all over again for the Commission
25 and staff. We must note the lack of data and

1 cooperation of Chinese Respondents, who are not
2 present at this hearing, and were not present in the
3 final phase of the investigation, if I may say so.

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

15 You just can't extrapolate, you can't
16 estimate, you can't make projections of the factors
17 the statute requires with such a tiny sample. Vis-à-
18 vis China then, we are left with two points only.
19 First, that Commerce found significant countervailing
20 subsidies, countervailable subsidies, ranging up to
21 223 percent.

22 As the head of Deacero -- and, yes, it's the
23 same Deacero -- stated in discussing Mexico's problems
24 with imports from China, quote, "Competitors such as
25 China are subsidized in every way, shape, and form,

1 from currency, to labor, to taxes. So it is
2 impossible to compete with them in terms of pricing,"
3 unquote.

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

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

24 In light of these hard data, these few hard
25 data, based as they are on official Chinese export

1 statistics, plus the low prices based on AUVs as well
2 as the few questionnaires received, we trust the
3 Commission will find China to be a real and imminent
4 threat to the U.S. industry going forward.

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

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

20 Evidence of this aggressive pricing behavior
21 can be found in the broad underselling by Mexico we
22 have discussed above in your pricing data comparisons
23 as well as the AUVs of imports from that country,
24 which were less than those of China in 2010 and 2011,
25 as well as far under the average unit values of U.S.

1 products.

2 In conclusion, we agree with Deacero and the
3 Deacero representative that gave the opening statement
4 that this is a case of causation. It is a case of
5 causation. We have got to ask ourselves what is the
6 cause. Demand is up in two of the three years, the
7 latter years, of the investigation. It is even
8 characterized, I think justly, as healthy increase in
9 2010 and 2011. So it's not demand.

10 Second, there are no subject imports to
11 speak of except Canada. Those imports decline, and
12 Canada's average unit values are higher than U.S. AUVs
13 for a lot of the period. I may also say that even the
14 minor sources of galvanized steel wire declined over
15 the period.

16 Third, you can see from the summary data in
17 the staff report that U.S. productivity has increased
18 throughout the period, and it got an especially
19 healthy bump from 2010 to 2011.

20 So what is the cause? That concludes my
21 presentation. Thanks as always to the staff for their
22 efforts in publishing their report, and thanks to the
23 Commission for your attention.

24 MR. WAITE: Madame Chairman, that concludes
25 our presentation this morning.

1 CHAIRMAN OKUN: Well, thank you very much.
2 And before we begin our questions this morning, let me
3 take this opportunity to thank this panel of witnesses
4 for appearing here today. We very much appreciate the
5 many members of the industry who have taken time to
6 join us and tell us about your product and answer our
7 questions. And Commissioner Aranoff will begin the
8 questions this morning.

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

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

20 MR. WAITE: Commissioner Aranoff, this is
21 Fred Waite. I will turn that question to the industry
22 members on the panel after first observing that the
23 purchasers as a group identified price as one of the
24 most important and significant factors in their
25 purchasing decisions, and the purchasers may be saying

1 that they cannot purchase the product at the prices
2 that they preferred. But I think you will hear from
3 the industry witnesses that they are ready, willing,
4 and able to meet with any purchaser to supply product.

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

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

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

24 COMMISSIONER ARANOFF: Okay. Mr. Weinand,
25 you had mentioned making a purchase of galvanized

1 steel wire from Mexico. I think you said in 2010.
2 Was product of the type that you purchased available
3 from a domestic producer?

4 MR. WEINAND: Not to our knowledge. It's a
5 special wire that requires a specific rod source that
6 we did not have available to us in that time frame.
7 So this went on for about three or four months until
8 we could get the rod source lined up and then produce
9 it ourselves.

10 COMMISSIONER ARANOFF: Okay. I appreciate
11 that answer. And if there is any more details you
12 want to provide confidentially in the post-hearing,
13 that would also be helpful.

14 MR. WEINAND: Okay.

15 COMMISSIONER ARANOFF: Deacero has argued
16 that they're marketing their product to a limited set
17 of customers in the U.S. Is that your experience?

18 MR. ROBERTSON: No, no, it's not. We, of
19 course, are the electrogalvanized producer. But as I
20 mentioned, we really participate in the regular
21 galvanized market as well. Our experience is whether
22 we're working with specifically electrogalvanizing
23 customers or whether it's some of the other markets
24 that we definitely have to participate in, we have
25 seen them as a very forceful presence in the

1 marketplace, very aggressive, really across the board.

2 So I just don't see that that would make
3 sense to me.

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

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

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

25 However, given the state of the amount of

1 underutilized capacity that was present in the market,
2 could that be a factor that would weigh against the
3 Commission finding that the price increases should
4 have occurred?

5 MR. ROBERTSON: Well, I think what you can
6 assume -- and I think you've seen this in some of the
7 testimony and the data that I've seen that clearly in
8 2011 our rod suppliers raised prices significantly in
9 the first part of 2011. And we talk about price
10 increases as I mentioned in my testimony. Obviously
11 we're incurring those cost increases, and we would
12 like to pass those on to our customers to maintain our
13 spreads and margins. And when you have material in
14 the marketplace, competitive material that doesn't
15 recognize those price increases and really doesn't
16 allow you to pass on these direct cost increases of
17 rod -- by the way, zinc as also the other major
18 commodity has fluctuated pretty dramatically. And
19 when you find competition whose pricing is -- it just
20 doesn't allow you to pass on these costs.

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

23 COMMISSIONER ARANOFF: It's interesting to
24 me that there are a lot of downstream steel-using
25 industries that have built in pass-throughs for raw

1 material costs, and their customers just accept that
2 that is the way the product is priced. You pass
3 through the metals cost, and then you negotiate about
4 the other parts of the price. And that does not
5 appear to be the case with industry, right?

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

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

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

1 costs, it really puts you in a very difficult
2 position.

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

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

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

19 MR. ROBERTSON: I would note that we have a
20 competitor, several major competitors, to our north
21 who sell, as the record would show, a significant
22 quantity of galvanized wire into the U.S. every month,
23 every year, and they're not part of this conversation
24 because they are responsible. They are very
25 disciplined in what they do, and their price -- they

1 really go in and sell -- try to sell on quality and
2 service, and their pricing -- I think we can see the
3 numbers -- are equal to or higher than the domestic
4 market.

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

10 MR. ROBERTSON: Absolutely.

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

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

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

19 CHAIRMAN OKUN: Commissioner Pinkert.

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

1 category of products is.

2 Is that considered to be premium product?

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

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

25 It's really kind of an engineering-based

1 decision. And for us, we -- you know, we make high
2 carbon, low carbon on the same equipment, in the same
3 plant. I don't really consider it to be any better or
4 worse than the other products we make and sell.

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

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

22 So there is a broad spectrum of products.

23 COMMISSIONER PINKERT: Thank you. Now, I
24 understood your testimony, Mr. Robertson, that there
25 would be premium products that are not high carbon

1 content. But just focusing on the high carbon content
2 being over .64 percent, are all of those products
3 premium products?

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

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

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

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

20 So I'm trying to understand what to
21 benchmark that performance against. And I'm wondering
22 whether you can tell me did the COGS to sales ratio
23 decline after the filing of the petition, and did the
24 financial performance improve significantly after the
25 filing of the petition?

1 DR. MAGRATH: First of all, Commissioner,
2 the benchmark is the -- is 2009, the recession, not
3 just because it's the base year. But it seems that
4 the stock market, the general economy, and many steel
5 products have made a recovery from 2009. This
6 industry is mired in 2009. It has not changed. The
7 story here is not it changed, that something happened.
8 The story here is that nothing happened.

9 As for the second part of your question
10 was --

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

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

24 MR. WEINAND: David Weinand. I would add to
25 that. Yeah, we're seeing the first benefit from this

1 case probably in February of this year, at this point
2 in time. Until we saw the imports stop, which
3 basically occurred in November, and that inventory
4 work through the system, we are just now starting to
5 see some of the benefit from this case. So I don't
6 think 2011 is really representative because the
7 imports were still coming in.

8 MR. WAITE: Commissioner Pinkert, Fred
9 Waite. I would also point out, again looking at chart
10 3, which I think tracks very dramatically how cases
11 may impact imports, is that although the case was
12 filed in March, and you saw some reduction of imports
13 from Mexico, in fact in the preliminary phase, we
14 provided a February letter from Deacero announcing a
15 price increase to its customers that was apparently
16 triggered by market knowledge that a case may be
17 coming.

18 But after the case was filed, it's quite
19 clear that the foreign suppliers consulted with their
20 U.S. trade counsel because you see that imports during
21 the interim period, that is, between the filing of the
22 case and the preliminary determinations, which first
23 imposed additional duties on imports, you actually see
24 Chinese imports increasing quite significantly during
25 that interim period on a monthly basis, and Mexican

1 imports increasing, and then Mexican imports dropping
2 about the same time that the Chinese preliminary
3 determination came out.

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

16 So you really don't see a dramatic effect of
17 the case until the last couple of months of 2011. And
18 again, as Dr. Magrath pointed out, without the case,
19 and certainly without the preliminary determinations,
20 imports during 2011 were on pace to actually increase
21 at a greater level than in 2010. But again, we would
22 submit it was the announcements by the Commerce
23 Department, the imposition of significant duties on
24 both Mexican and Chinese imports that led to the
25 retreat of Mexican and Chinese unfairly traded

1 galvanized wire from the market during the last two
2 months of 2011. And as Mr. Weinand just pointed out,
3 he and others in the industry have now seen the
4 beneficial effects of that coming into the market,
5 coming into their sales at the beginning of this year.

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

17 MR. WAITE: Oh, I'm sorry, Commissioner.
18 Yes, post-hearing.

19 COMMISSIONER PINKERT: Okay. Thank you.

20 CHAIRMAN OKUN: Commissioner Johanson.

21 COMMISSIONER JOHANSON: Thank you, Madame
22 Chairman. And I would also like to welcome you all
23 here today and to thank you for appearing before us.
24 The Respondents have suggested that subject imports
25 act as a complementary source of supply. Do U.S.

1 producers' own purchases and imports of subject
2 products support this argument?

3 MR. ROBERTSON: Say that again?

4 MR. CRONIN: I mentioned -- Pete Cronin with
5 Heico Wire Group. I mentioned in my testimony that we
6 do a make or buy analysis on some of our products,
7 including our galvanized products that we use to
8 manufacture some downstream products. And if the cost
9 of the product is below our variable cost, then we
10 might import it. We did that in some cases out of
11 China, where we could buy 20-gauge wire to make stucco
12 netting, a finished product for the housing industry.
13 And we could buy -- and we're fully integrated. We
14 buy rod. We clean it, draw it, galvanize it. Our
15 galvanizing line is all in line, and we're very
16 automated. And we can buy the 20-gauge wire in 2,000-
17 pound bundles, in containers from China, cheaper
18 delivered to our Los Angeles plant than we could make
19 it at the plant.

20 So in that case, we did import, and we were
21 sitting idle. We had wire drawing machines,
22 galvanizing capacity that sat idle, and we laid off
23 people because of that. But we made a prudent
24 business decision at the time.

25 Currently, today the housing market is very

1 depressed. But currently today we're making all our
2 own fine wire for our finished product.

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

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

18 MR. ROBERTSON: And there continues to be
19 imports coming into this market on a regular basis
20 from Israel and Canada and other countries. It's just
21 that the pricing, we believe, is more responsible and
22 allows us to operate and actually make a profit. The
23 pricing is clearly the case -- as we sit here today,
24 as David said, that we've begun to see the benefits of
25 this case.

1 COMMISSIONER JOHANSON: All right. Thank
2 you for your responses.

3 MALE VOICE: Your mike isn't on.

4 COMMISSIONER JOHANSON: I'm sorry?

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

6 COMMISSIONER JOHANSON: Oh, I'm sorry.
7 Thank you for our responses. Petitioners have argued
8 that subject imports declined in 2011 due to the
9 imposition of preliminary duties on imports from China
10 and Mexico. But there was a consistent decline in the
11 volume of subject imports from China before the
12 petitions were filed. Can one of you please address
13 this?

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

17 DR. MAGRATH: I mean, I agree with that.
18 Chart 3 shows that the imports from China were
19 recovering. However, in 2011, actually spurred on by
20 the -- we think by the filing of this case, before the
21 CVD margin hit in September of 2011.

22 MR. ROBERTSON: And I think you'll find that
23 when you look at total wire and wire products from
24 China, I don't think you've seen a decline at all. I
25 think you're going to -- the data shows a continued

1 upward trend in their total -- the total imports into
2 the U.S. of wire and wire products.

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

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

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

24 So, you know, we were all confronted with
25 that, obviously, with the facts in front of us in late

1 2008-2009 period. It tends to happen cyclically in
2 those type of recession periods. But I'm not sure it
3 had anything to do with -- we would have been doing
4 this regardless of whether -- what imports we were
5 confronting.

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

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

18 MR. TALBOT: Andy Talbot. We also -- we're
19 a small player, probably the smallest of everyone up
20 here in scope and in volume. But as I mentioned in my
21 testimony, we did update our line as a result of the
22 flood, and put in more efficient burners and the
23 latest state of the art after ten years of operation
24 at -- or eight years, excuse me, of operation at the
25 old technology.

1 So we saw some increase in productivity and
2 output on a per-hour basis with our line. But that
3 does lead me to another point, the importance of
4 making a good return on these lines is critical in
5 that they are very self-destructive. They utilize
6 harsh chemicals, high temperatures, and long hours and
7 extremes. That does tend to wear them out more
8 quickly than a normal piece of production equipment
9 that you can just turn off and walk away from. So
10 therefore, it's critical that productivity gains by
11 having margins whereby you can reinvest in your
12 equipment and keep them up-to-date to compete, not
13 only, you know, against our domestic competitors, but
14 the threat of offshore competition as well is
15 critical. Thank you.

16 MR. CRONIN: Peter Cronin with Heico. We
17 had a corporate mandate during the recession to right-
18 size our operations, and we laid off 15 to 20 percent
19 of our salaried and hourly people at most of our
20 operations and right-sized everything, and then
21 operated very efficiently.

22 We also chose to meet competitive pricing,
23 even though it was very low pricing and didn't provide
24 a margin for us. It kept our operations running.

25 COMMISSIONER JOHANSON: Thank you for your

1 responses. Those were helpful. Deacero indicates
2 that unconfirmed lost sales and revenue allegations
3 demonstrate the absence of significant adverse price
4 effects. Could one of you please respond to this
5 assertion?

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

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

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

23 MR. CRONIN: Pete Cronin with Heico. In our
24 case, we looked at, you know, information from our key
25 sales people, call reports, and emails, and tried to

1 objectively present the facts as we saw them.

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

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

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

22 The internal market tends to be those
23 products that are very common, very high volume type
24 products on which downstream operations make other
25 products, like chain-link fencing and vineyard wire

1 that has been talked about this morning.

2 CHAIRMAN OKUN: Could I have industry
3 witnesses elaborate?

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

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

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

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

25 Then let me return to ask a few more

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

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

21 So again, I think that the Respondent's
22 argument on that is it's the financial performance
23 side that hasn't correlated very closely with imports
24 coming in and out. And you have responded in some
25 ways of saying 2012 has been a better year, and we

1 don't see that on the record.

2 But is there else you would have we look at
3 in the record to support the idea that imports, the
4 subject imports, are impacting financial conditions
5 during the period of investigation, as opposed to raw
6 material costs and the other things we've talked
7 about?

8 I know it's a very broad question. But
9 again, I'm troubled by -- and I can see your charts
10 with the imports. I get that. But if I look at the
11 other indicators on your financial performance, I
12 don't see the same correlation with subject imports.

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

20 But don't -- I think the price realization
21 side of this, this whole idea of price suppression, is
22 also a big part of this. Average selling values --
23 and these numbers just -- they are what they are. You
24 start with your mill net pricing, and you look at your
25 costs, and what is left over is what you run your

1 business on. And so both of those, I believe you'll
2 see in 2012, both of those begin to change in a
3 positive way and have a real impact.

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

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

14 CHAIRMAN OKUN: Okay. I appreciate that.
15 Mr. Weinand, did you want to add something?

16 MR. WEINAND: I would just elaborate on
17 that. I mean, this is really a commodity product, at
18 the end of the day. And our raw material costs are
19 what they are. They're going to change, and they're
20 going to fluctuate accordingly. And there are only
21 two ways that we can, you know, increase our margins.
22 One is to be able to raise the price, which we have
23 not been able to do because of the import pricing
24 coming into the country. And two is to be more
25 efficient in our processing.

1 Well, you can't be more efficient in our
2 processing when there is less volume, and that's what
3 has happened to us. So as you go in now to 2012,
4 we're seeing efficiency increases which are going to
5 lower our cost, which helps our margin, as well as
6 hopeful that we're going to be able to raise our
7 prices in 2012 with the lack of imports. So there is
8 two sides of that equation we have to look at.

9 CHAIRMAN OKUN: Okay. I appreciate that.
10 And, Mr. Magrath, you wanted something else?

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

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

23 So I think the benefits of this case, which
24 we're all looking forward to, I think are just
25 beginning to be upon these producers really right now.

1 CHAIRMAN OKUN: Okay. I appreciate all of
2 those additional comments in helping me understand
3 that side of it. Mr. Magrath, you may have already
4 commented on this when you were giving your testimony.
5 Are AUVs very relevant for this product? Should we
6 be paying much attention to them?

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

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

24 CHAIRMAN OKUN: Okay. I appreciate that.
25 Let's see. My yellow light has come on, and I think

1 my next question I would want all the producers to
2 respond to. So I will wait for my next round to do
3 that, and I'll turn to Vice Chairman Williamson.
4 Thank you.

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

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

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

24 And, of course, as the grapes grow and get
25 ready for harvest, you've got a fair amount of weight

1 on these vines. So it needs to be high tensile, and
2 then you stretch it and tighten it very tautly so it
3 trellises the grapes during the growing season.

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

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

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

11 MR. CRONIN: Yeah.

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

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

24 MR. ROBERTSON: Well, clearly -- and if you
25 look at this economy today, you can see that some of

1 the auto-industrial sectors are hitting on all
2 cylinders and doing quite well. You see a real nice
3 growth trend. But I don't think it's any surprise
4 that we see our construction sectors, almost every one
5 of them are underperforming and have for some years.
6 And all of us sell product that goes into construction
7 applications. And so until that recovers, we're not
8 going to see demand that we historically have enjoyed.

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

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

19 And by the way, the COGS to sales ratio in
20 2008, the record year, was 92.1 percent, still way too
21 high to make any kind of reasonable profit, and that
22 was in a record year. And we can get you the cite
23 again in our post-hearing brief, where the Respondents
24 characterize that 2008 as a record year.

25 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

1 I think -- Mr. Cronin?

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

12 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
13 I was just wondering. You mentioned several of your
14 lines being closed. Now, have they been closed
15 throughout the period of investigation?

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

24 VICE CHAIRMAN WILLIAMSON: Okay, thank you.
25 While I'm with you, could you describe Heico's

1 operations in China and how they relate to U.S.

2 operations?

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

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

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

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

24 MR. ROBERTSON: Right. There have been
25 efforts.

1 VICE CHAIRMAN WILLIAMSON: -- yes.

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

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

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

24 VICE CHAIRMAN WILLIAMSON: Okay. Now, were
25 these efforts through the period of investigation or a

1 much earlier period?

2 MR. ROBERTSON: I think it's probably 2004,
3 I think again in 2008. So yeah, I think there's been
4 a couple of mills, ArcelorMittal, Keystone have both
5 made that attempt.

6 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
7 Thinking about commercial sales, do any of
8 the companies make internally the same types of
9 products that your customers make, and if so, do you
10 compete with your customers for sales to downstream
11 purchasers?

12 MR. WEINAND: David Weinand, and the answer
13 is yes, everyday. We produce, for example, chain-link
14 fence, bale ties, barbed wire, other products, and we
15 also supply wire to our competitors who produce those
16 products as well.

17 VICE CHAIRMAN WILLIAMSON: Okay. Can you
18 sort of -- do you want to describe the nature of this
19 competition since you can here?

20 MR. WEINAND: I'm not sure what you're
21 looking for there.

22 VICE CHAIRMAN WILLIAMSON: The effects of
23 that on the market.

24 MR. WEINAND: Well, probably the biggest
25 effect on the marketplace is that those customers,

1 galvanized wire customers, can also buy some of that
2 material from the imported supply chain as well, and
3 in a lot of cases, that can have a detrimental impact
4 on the ability to price your downstream products as
5 well.

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

9 CHAIRMAN OKUN: Commissioner Pearson.

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

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

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

24 MR. ROBERTSON: Thank you.

25 MR. WEINAND: I think you have to look at

1 the product mix as to what your situation is. Here's
2 an example, okay? I'll give you a product example. A
3 chain-link fence market, okay?

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

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

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

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

25 MR. WEINAND: We're pricing it internally at

1 what our price is that we sell the finished goods out
2 to the marketplace.

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

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

16 MR. WEINAND: Well, obviously I don't have
17 access to the data to know exactly what you're looking
18 at, but I can just tell you on this example I'm giving
19 you, that would be an instance when that would happen.

20 I mean, if we're -- if our margins are more
21 negative than our downstream product, than on the
22 galvanized wire sales, that would cause that to occur.

23 COMMISSIONER PEARSON: No, I don't think so
24 because we're not picking up in our data your revenues
25 on the sales of the downstream products, at least I

1 don't believe we are. We should be capturing just the
2 revenues on the galvanized steel wire that you
3 transferred to your downstream product.

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

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

15 MR. CRONIN: Pete Cronin with Heico Wire
16 Group.

17 In our case, internally we make 17 and-a-
18 half and 20-gauge galvanized wire that we use to make
19 stucco netting, and because of the comments I made
20 earlier on the construction market, we have a lot of
21 capacity in that area and we're not running it very
22 efficiently at all because the market's so depressed,
23 and that could affect -- and that's one of our
24 internal products -- that would definitely affect the
25 cost.

1 COMMISSIONER PEARSON: It could affect the
2 cost of the production of the netting for stucco, but
3 --

4 MR. CRONIN: No, no. The galvanized wire.
5 This is a galvanized wire that we produce for internal
6 use, 17 and-a-half, 20 gauge wire.

7 COMMISSIONER PEARSON: Okay, so you're
8 selling less of it to your downstream -- or you're
9 transferring less of it to your downstream business
10 and that's giving you higher per-unit costs on the
11 galvanized steel wire. Is that the thesis?

12 MR. CRONIN: Yes. Yes.

13 COMMISSIONER PEARSON: Okay. Is it giving
14 higher per unit costs on that wire than -- that's
15 internally transferred than the wire that you would
16 sell to the merchant market?

17 MR. CRONIN: We sell very little fine wire
18 to the market. We use it mainly for our own use.

19 MR. WEINAND: One thing you have to
20 understand that within the spectrum that we deal with
21 here, this product is across a continuum, but within
22 that continuum, there are a lot of specifications that
23 we deal with from the different coating weights we
24 deal with so, you know, within one gauge of wire, you
25 may sell that same diameter wire with different

1 tensiles, different carbon content, different
2 coatings.

3 So a lot of the wire we do in our company
4 that's ship-out is more of what I would call a
5 specialty or a higher carbon content, or a higher
6 coating weight where you may have a different spread
7 in pricing than what we use for more of our internal
8 consumption which tends to be in our company more
9 commodity-type products.

10 COMMISSIONER PEARSON: Okay, so how are
11 transfer prices set. Let me approach it that way and
12 see what I can learn here. You're producing wire rod.
13 You're going to transfer it within the company or to
14 a related firm. How do you decide what price to put
15 on it?

16 MR. WEINAND: Well that, I mean, that was a
17 function of just going through the cost structure
18 inside our companies and from an accounting standpoint
19 allocating those costs to transfer the wire at that,
20 where ever that manufacture cost was.

21 DR. MAGRATH: Commissioner, at fair market
22 value, that's what the staff instructs us to do on the
23 questionnaire response.

24 COMMISSIONER PEARSON: But you're saying
25 that it is based on the fully-allocated costs of

1 producing the --

2 DR. MAGRATH: The wire.

3 COMMISSIONER PEARSON: -- wire?

4 DR. MAGRATH: Correct.

5 COMMISSIONER PEARSON: With a margin?

6 DR. MAGRATH: No, I mean --

7 COMMISSIONER PEARSON: It's just transferred
8 at cost?

9 DR. MAGRATH: Transferred at cost.

10 COMMISSIONER PEARSON: Part of what's on my
11 mind is that I have previous exposure to situations in
12 which internal transfer pricing within firms or
13 between related firms were used to influence tax
14 liability, and so there was an incentive to price
15 things in certain ways.

16 The decision was made entirely within the
17 firm, and yet it had really interesting tax
18 implications. So there was an incentive for firms to
19 structure their pricing in certain ways.

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

24 Has there been an incentive to structure the
25 internal pricing in such a way as to maximize your

1 losses as you appear in front of us?

2 MR. WEINAND: Not for our company.

3 DR. MAGRATH: That's just not true.

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

6 DR. MAGRATH: I mean, we --

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

9 DR. MAGRATH: -- they also have to report it
10 on a commercial market basis so the Commission can get
11 a ready comparison. So I know they're not structuring
12 their numbers to maximize their injury in this case.

13 They're following the instructions on the
14 Commission -- in the Commission's instructions and on
15 their questionnaire responses.

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

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

23 COMMISSIONER PEARSON: Okay, well, I will
24 desist now and remain somewhat confused, but I would
25 ask for purposes of the post-hearing perhaps in

1 conjunction with our professional staff if they have
2 further questions. If they cannot explain this to me,
3 having now heard my confusion, please collaborate with
4 them and help me to understand it more thoroughly in
5 the post-hearing. Thank you.

6 Thank you, Madam Chairman.

7 CHAIRMAN OKUN: Commissioner Aranoff?

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

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

22 COMMISSIONER ARANOFF: Is that the same for
23 everyone?

24 MR. ROBERTSON: At Johnstown, we probably
25 have the highest percentage -- we probably ship in

1 total probably about 60 percent of what's coming off
2 our galvanizing frames is high carbon, and yet I -- I
3 mean, it's just again, it's kind of a continuum of
4 products that we make and ship.

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

8 MR. WEINAND: And the same for our facility.
9 We actually operate from about a 1006 up through a
10 1065 range for most of the wire we produce, and again,
11 it's across the whole spectrum.

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

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

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

25 And I think that Mr. Weinand dealt with that

1 that the Respondents are talking about a certain
2 carbon content as high carbon, but if you speak with
3 each of these gentlemen, they will tell you that in
4 looking at their products and looking at their
5 markets, they draw a line in a different place for
6 high carbon. But that's still a very arbitrary line
7 because they've all explained they make products right
8 across this continuum as we've seen in many wire rod
9 cases where their carbon content and other factors,
10 and within each group, there's a lot of
11 interchangeability.

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

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

23 You're of course free to advocate any
24 understanding of the term that you want, but I don't
25 want the issue of whether there's a continuum of

1 products here isn't in the end going to be resolved by
2 definitions. It's, you know, it's going to be
3 resolved by the facts on the record. So let me turn
4 to one more like product question.

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

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

22 COMMISSIONER ARANOFF: Okay, and for other
23 producers who do produce higher carbon products, are
24 you using the same line you're using for low carbon
25 products?

1 MR. CRONIN: Yes. Pete Cronin with Heico.
2 If you can picture a galvanizing line, you'll have
3 these pots with the heat-treating and the zinc, and I
4 know you've seen the video.

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

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

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

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

23 MR. WAITE: Commissioner Aranoff, Fred
24 Waite.

25 The two principal Mexican producers and

1 exporters that we have seen in our data that we have
2 collected independently and then confirmed by the
3 Commission's data collection have been Deacero and
4 Camesa. In fact, Deacero at that same staff
5 conference offered that it is responsible for 90
6 percent of production and exports from Mexico.

7 The men at this table can tell you whether
8 they've heard of these other companies, but as you can
9 see from our submissions, we are looking primarily at
10 the two largest. We don't have any information about
11 those other companies.

12 COMMISSIONER ARANOFF: Okay. I appreciate
13 that.

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

20 Is it common for purchasers who are
21 producing these sales from products to not want to
22 rely on suppliers who are producing the same product
23 and competing with them downstream? And if so, about
24 how much of the market does that account for, those
25 kind of merchant purchasers?

1 MR. CRONIN: Well, I really couldn't give
2 you any exact data, but I can say if you use Deacero,
3 for example, they sell galvanized chainlink weaving
4 wire to people in the U.S. that weave it, and they buy
5 it from them because of the price.

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

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

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

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

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

23 COMMISSIONER ARANOFF: Okay. I want to go
24 back to one more question on price suppression. We've
25 talked about the COGS to net sales ratio being

1 effectively unchanged if you look over the period 2009
2 to 2011, and I think your argument has been, well,
3 unchanged but it's been too high.

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

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

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

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

23 They could not, despite the increases in
24 consumption, the increases in trade variables, the
25 domestic industry could not claw their way out of the

1 mire of the recession because of the volume and prices
2 of the subject imports.

3 And I've got to say, these three years of
4 operating losses, the trend has improved a little bit,
5 but if you're -- you're still under water, and if
6 you're under water by six inches or six feet, you're
7 still drowning.

8 COMMISSIONER ARANOFF: Okay. Well, I -- we
9 don't usually like to look outside of our period of
10 investigation, but I guess one thing that would be
11 helpful to me is some sense of, you know, when the
12 last time there was a more healthy cogs-to-net sales
13 ratio was and what that was. And sort of what's the
14 normal.

15 My time is up, so maybe that's something
16 that you can look at post-hearing, but I -- that might
17 help me to put the argument that you're making into
18 perspective. Thank you, Madam Chairman.

19 CHAIRMAN OKUN: Commissioner Pinkert?

20 COMMISSIONER PINKERT: Thank you, Madam
21 Chairman. I just have a few additional questions.

22 First of all, what do you make of the
23 argument that in the imminent future at least one
24 Mexican producer is not going to have much of an
25 incentive to ship to the U.S. market?

1 MR. WAITE: Commissioner Pinkert, Fred
2 Waite.

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

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

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

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

21 MR. WAITE: Commissioner Pinkert, Fred Waite
22 again. As Dr. Magrath mentioned in his response to
23 Commissioner Aranoff's earlier question, there are a
24 lot of -- and also to Commissioner Pearson's
25 questions, there are a lot of counter factual issues

1 in this case, many of which are the result of the base
2 period being the depth of the recession and that
3 normally -- normally usually one might expect looking
4 at a period of investigation a set of data, a set of
5 trends that's somewhat different than you're looking
6 at here because you normally are starting at a
7 different base point which is not a base point that is
8 characterized by the worst financial crisis in the
9 United States and probably the world since the Great
10 Depression.

11 But specifically to your question about
12 whether or not one can anticipate future shipments,
13 whether there is a threat here, we would simply submit
14 that the reason for those decisions, the reason for
15 those statements, is the fact of the case.

16 If there were no case, there is nothing that
17 would indicate that the Mexican suppliers and the
18 Chinese suppliers would not have continued as they had
19 been continuing throughout the period of investigation
20 prior to the Commerce Department's preliminary
21 determinations which affixed or assigned specific
22 additional duties, in many cases very substantial
23 additional duties, on imports.

24 So without the case, what would be the
25 result? Without the case, would these representations

1 remain valid or would you see companies making
2 different decisions.

3 If there were no dumping order on their
4 products, you could very well see companies making
5 different decisions on how they were going to source
6 the U.S. market.

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

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

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

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

25 COMMISSIONER PINKERT: That's helpful Thank

1 you. If you look at the business proprietary
2 information that I referred to in the briefs and wish
3 to comment on that further in the post-hearing, that
4 would be helpful too.

5 MR. WAITE: Thank you, Commissioner.

6 COMMISSIONER PINKERT: Thank you.

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

14 MR. WAITE: Thank you, Commissioner Pinkert.
15 Again, the volume trends for Mexico through the period
16 of investigation as reflected in the staff report
17 shows steady increases, in fact, significant increases
18 for China.

19 Again, starting with the 2009 base period,
20 the volumes were, as I recall, fairly steady
21 2009/2010, and then trended down in 2011 or maybe it
22 was the other way.

23 But again, looking at our chart 3, one sees
24 that the Chinese certainly had the ability and in
25 2011, the actuality of increasing their imports into

1 the United States just as Deacero did during certain
2 periods of time as a result of actions that were being
3 taken outside of the market. That is, actions being
4 taken by Governmental bodies to impose trade remedies
5 on their imports.

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

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

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

25 So with China, we had the issue not only of

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

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

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

16 Again, as Dr. Magrath mentioned in response
17 to one of the questions from your colleagues about the
18 use of AUV's and we rely heavily on those simply
19 because they are in our minds the most comprehensive
20 data available as well as very good surrogates for the
21 normal pricing data that the Commission collects
22 simply because of the way the harmonized tariff code
23 breaks out these products largely on carbon content
24 and diameter. It does not break them out on zinc
25 content which you've heard is also a significant factor.

1 But when you look at the pricing data, you
2 see that initially China was the low-price supplier to
3 the U.S. market. And then in our judgment to achieve
4 market share, to increase market share, Mexico dropped
5 its pricing below China, but they seemed to follow
6 their pricing into the U.S. market almost in tandem.

7 And in that regard, we would say that their
8 pricing, even though the Mexican pricing dropped
9 significantly, particularly in 2010, their pricing
10 really was moving in very similar ways, not identical
11 but very similar ways in the period of investigation.

12 COMMISSIONER PINKERT: Thank you.

13 Thank you, Madam Chairman.

14 CHAIRMAN OKUN: Commissioner Johanson?

15 COMMISSIONER JOHANSON: Yes, thank you,
16 Madam Chairman.

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

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

25 CHAIRMAN OKUN: I'm not sure if your

1 microphone's on.

2 MR. ROBERTSON: We're only selling wire to
3 people that make products in competition with Chinese
4 wire products, but I track the data pretty carefully,
5 and in all the categories that are readily available
6 to analyze and tracking over the years the importation
7 of Chinese wire products, the growth has been
8 astounding in the last ten years. I mean, we're going
9 from virtually nothing to over a million and-a-half
10 tons a year of all these products, all these
11 downstream wire products, so that's what I was
12 speaking to. Again the Japanese -- the Chinese are
13 competing with our customers on that basis.

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

16 Yes, Mr. Cronin?

17 MR. CRONIN: Yes. Pete Cronin, Heico.

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

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

1 value added wire product in itself. It's a downstream
2 product.

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

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

14 COMMISSIONER JOHANSON: All right. Thank
15 you.

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

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

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

25 MR. ROBERTSON: Sure.

1 COMMISSIONER JOHANSON: Thank you.

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

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

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

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

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

22 COMMISSIONER JOHANSON: Okay. And getting
23 to the Chinese and Mexican wire industries, does a
24 fragmentation of the Chinese wire industry and the
25 high concentration of the Mexican industry have any

1 influence on competition import behavior or other
2 competitive conditions?

3 MR. ROBERTSON: Good question.

4 MR. WAITE: That's an excellent question.

5 And the industry representatives can tell you whether
6 they see any difference in the market as a result of
7 the fact that the Mexican industry is far more
8 concentrated than a Chinese industry that we found had
9 900 companies offering galvanized wire for sale.

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

14 COMMISSIONER JOHANSON: Right.

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

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

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

23 COMMISSIONER JOHANSON: Yes, it does to some
24 extent. They are very different industries though.
25 It's quite interesting. I mean, there are 900

1 producers in China?

2 MR. WAITE: No, I didn't --

3 COMMISSIONER JOHANSON: Oh, I'm sorry.

4 MR. WAITE: -- say that. We identified --

5 COMMISSIONER JOHANSON: 239 or what --

6 MR. WAITE: We identified in our petition

7 279 companies --

8 COMMISSIONER JOHANSON: Okay.

9 MR. WAITE: -- based on import statistics we
10 had as well as internet searches that appeared to be
11 producers of galvanized wire in China, but there's
12 also a website that we found that had over 900
13 companies listed that were offering galvanized wire
14 for sale, and many of those were probably as Peter
15 said, brokers or trading companies, not necessarily
16 producers.

17 DR. MAGRATH: Commissioner, I really don't
18 think it makes any difference. The difference is that
19 both industries and both countries have excess
20 capacity, capacity utilization is as big a driver for
21 them as it is for the U.S. industry, and so they want
22 to make as much as possible, and they export that to
23 other countries.

24 It's the excess capacity, whether it's one
25 firm or it's 279 firms in the case of China that is

1 the real factor here.

2 COMMISSIONER JOHANSON: All right. Thank
3 you.

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

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

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

21 And we've seen a distinct change in our
22 customers order patterns after the recession to be
23 more just-in-time, very low lead times, very low
24 visibility from our standpoint as a supplier to know
25 when they wanted their orders produced and shipped.

1 In other words, they wouldn't give us orders
2 two, three, and four. They would order one order at a
3 time, and when that one was shipped and completed,
4 they would order more.

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

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

19 MR. CRONIN: Cronin with Heico Wire Group.
20 I don't know that our market shares
21 increased. Our volume's gone up as the economy's
22 recovered a little bit, but we're hoping with a
23 successful case that it will help us gain back market
24 share. It's 107,000 tons of imports that come in from
25 China and Mexico.

1 COMMISSIONER JOHANSON: All right. Well,
2 thank you. My time is almost up, so that will
3 conclude my questions. But I'd like to thank you all
4 for appearing here today.

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

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

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

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

25 And then I know you were able to respond

1 somewhat in response to Commissioner Pinkert with
2 respect to if we were to be looking at threat, and I
3 would just ask for post-hearing that you would brief
4 if we were to not cumulate the threat case for both
5 Mexico and China. I'd appreciate that.

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

9 Vice Chairman Williamson?

10 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
11 Chairman.

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

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

25 That affects our initial raw material cost,

1 and that can change and ebb and flow over a period of
2 a quarter by two or three times. We've seen
3 increases. We've seen changes as the scrap market
4 changed, or the demand for steel in general changed.

5 And when we see those things taking place,
6 the domestic suppliers or domestic producers of
7 galvanized wire or other wire products are
8 experiencing basically the same ebbs and flows.

9 The difference with the imported suppliers
10 can be they're supplying out of a pool of goods from a
11 warehouse somewhere or a dock somewhere, and their
12 pricing reference point, their cost reference point,
13 may be significantly different than what we're
14 experiencing at the time, so there's a timing factor
15 in that in my opinion.

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

22 Our market pricing's going to change
23 literally month to month, and so yeah, I would assume
24 -- if I were a domestic buyer, I would say that the
25 domestic guys are leading that parade up and down.

1 As Andy pointed out, the imports really
2 don't -- are not really influenced in the same way and
3 don't behave the same way in that respect. Make
4 sense?

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

7 DR. MAGRATH: Commissioner, as I recall from
8 the staff report, you had a lot of -- you had a pretty
9 good response of purchasers but really very few people
10 talked about or listed a price leader. It wasn't like
11 dozens of people, they all said the same thing.

12 I think a better indication of price
13 leadership is to be found in the underselling margins
14 which were quite complete, quite comprehensive for
15 both Mexico and China in the pricing section of the
16 report. That shows who the real price leaders were
17 especially on the downside.

18 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.
19 Mr. Cronin?

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

24 VICE CHAIRMAN WILLIAMSON: Okay. And the --
25 well, what accounts for the purchaser's perception do

1 you think?

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

7 VICE CHAIRMAN WILLIAMSON: Okay. So I might
8 not call it price leadership, but that's -- okay.
9 Anyone else want to add to that? If not, then I want
10 to thank this panel for their answers. Thank you.

11 CHAIRMAN OKUN: Commissioner Pearson?

12 COMMISSIONER PEARSON: Thank you, Madam
13 Chairman.

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

21 Mr. Waite, Commissioner Pinkert had raised
22 the question about decumulation for threat, and
23 following-up on that, should we take into account any
24 publicly available information about investments in
25 U.S. businesses by members of the Mexican industry

1 when we evaluate the credibility of projections that
2 Commissioner Pinkert referenced on pages 22 and 23 of
3 the Deacero brief?

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

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

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

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

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

23 As far as we know, the vast bulk of their
24 capacity, perhaps right now 100 percent of their
25 capacity, to produce galvanized steel wire is in

1 Mexico.

2 There have been announcements. Our members
3 have obtained information through market sources about
4 various intentions to perhaps shift some of that
5 capacity to the United States but on a very limited
6 basis, a very minor portion of their capacity.

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

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

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

23 MR. WAITE: Yes, sir. I understand.

24 COMMISSIONER PEARSON: Okay. Thank you.

25 I think the last issue that I wanted to

1 touch on goes to what was mentioned in Respondents
2 opening statement about the attribution of, you know,
3 based on what we see happening with subject imports,
4 can we get to injury from there?

5 And I raise that in light of the questions
6 that I presented earlier regarding the difference
7 between earnings on transfer price -- on internal
8 transfers and merchant market sales because we would
9 want to avoid a situation in which we -- if we're
10 going to find injury with this unusual fact pattern, I
11 think we would need to be able to track very carefully
12 between the subject imports and the effects on
13 transfer pricing, okay?

14 And so I don't know whether you have
15 anything that you would want to say about that now,
16 but you can understand why I would struggle with that
17 because we don't normally have people coming and
18 saying that because of the imports, my internal
19 transfer pricing is all messed up.

20 If you'd prefer to stay out of it, address
21 it thoroughly in the post-hearing and help me there if
22 you could because I'm concerned that it's potentially
23 a dispositive issue and so we've got to draw the
24 relationship out fairly clearly, I think.

25 MR. WAITE: We understand that,

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

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

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

15 Madam Chairman, that concludes my
16 questioning.

17 CHAIRMAN OKUN: Let me see if there are any
18 other questions from commissioners, no?

19 Let me turn to staff to see if our staff
20 have questions for this panel.

21 MS. HAINES: Staff has no questions.

22 CHAIRMAN OKUN: Do those in opposition to
23 imposition of the orders have questions for this
24 panel? They're shaking their head in the negative, so
25 this would be a good time to break for lunch.

1 Before I do so, let me take this opportunity
2 to once again thank this panel of witnesses for being
3 here and answering our many questions and continuing
4 your participation as we develop the record.

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

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

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

15 (Whereupon, at 12:30 p.m., the hearing in
16 the above-entitled matter was recessed, to reconvene
17 at 1:35 p.m. this same day, Thursday, March 22, 2012.)

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1 I have worked at the company for 10 years in
2 the production, marketing, administrative, finance,
3 and trade affair departments. Today I would like to
4 tell you about Deacero, my family's company.

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

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

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

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

23 Our operations include scrap recycling
24 centers, steel mills, wire facilities, distribution
25 centers, research and development centers, and a

1 software development company.

2 Our downstream wire facilities serve all
3 economic sectors such as fencing and barbed wire for
4 the agricultural sector, nails and welded wire for the
5 construction sector, wire rope and galvanized steel
6 wires for the industrial sector, and chain link and
7 hexagon netting for the lawn and garden sector, just
8 to mention a few examples.

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

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

21 We are the largest Mexican galvanized wire
22 producer. We estimate that Deacero represented at
23 least 90 percent of Mexican galvanized steel wire
24 production and about 95 percent of Mexican exports of
25 galvanized wire to the United States last year.

1 Most of our galvanized steel wire is used to
2 produce higher value added downstream products mainly
3 for the agricultural and industrial sectors. The
4 manufacturing of these products mainly serve the
5 Mexican market as well as our export markets.

6 We are not new in the U.S. market. Deacero
7 has been doing business in the United States for over
8 30 years. The first product we sold in the U.S. was
9 chain-link fencing. After that, we added poultry
10 netting and also galvanized steel wire to our U.S.
11 product line.

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

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

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

23 Third, we have been able to supply our U.S.
24 customers more efficiently than imports from off-shore
25 sources such as China and other countries from our

1 distribution centers located in certain key locations.

2 We opened our warehouse in Laredo, Texas in
3 the 1980s and in Indianapolis, Indiana in 2003. Since
4 2005, we have entered into arrangements with
5 independent warehouses in Chicago, Spokane,
6 Chambersburg, and Birmingham. The distribution
7 network enables us to serve our U.S. customer on a
8 just-in-time basis.

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

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

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

25 In October 2006, Deacero purchased Stay-Tuff

1 Fence Manufacturing which is located in New Braunfels,
2 Texas. Stay-Tuff is the largest U.S. producer of
3 fixed nut fencing that serves the agricultural sector.

4 The quantity of galvanized steel wire sold
5 to Stay-Tuff increased every year from 2009 through
6 2011. Stay-Tuff was Deacero's largest customer for
7 this product in 2010 and 2011. In fact, in 2011,
8 Stay-Tuff alone accounted for 23 percent of the U.S.
9 sales of imports of galvanized steel wire from
10 Deacero.

11 Afterwards, in 2007, Deacero purchased two
12 U.S. wire rope facilities. As a result of the
13 acquisition, Deacero-affiliated U.S. importer Deacero
14 U.S.A. became a U.S. wire rope producer in Houston,
15 Texas.

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

20 In February 2012, Deacero acquired Mid-
21 Continent Nail Corporation, one of the largest nail
22 producers in the United States. Mid-Continent
23 purchases some galvanized wire for its operations.

24 Finally, our most recent acquisition is a
25 scrap yard in Corpus Christi, Texas which we bought at

1 the beginning of March 2012. We are loyal to our U.S.
2 customers who require galvanized steel wire or other
3 products but who are unable to obtain what they need
4 from other supply sources.

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

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

14 The acquisitions and Greenfield investments
15 that I have described demonstrate our commitment to
16 manufacture and stay in the U.S. market for the long-
17 term. We are responsible in the U.S. operations for
18 550 employees. This is a start.

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

23 In our experience, our U.S. operations are
24 extremely efficient and productive. Deacero U.S.A.,
25 Stay-Tuff, and Mid-Continent are an important and

1 growing part of the Deacero family. Recognizing this,
2 we concluded that we need to ensure a stable supply of
3 galvanized steel wire to our U.S. affiliates.

4 For this reason, we decided to make the
5 necessary investments to produce galvanized steel wire
6 in the United States. We invested and installed a new
7 galvanizing line in Houston, Texas.

8 This line was designed by our own research
9 and development business unit, Altamat. It is our own
10 patented technology that we are bringing to the U.S.
11 market.

12 We believe that the galvanizing line will
13 have more competitive manufacturing costs than our
14 traditional galvanizing lines in Mexico due to the new
15 technology and the more competitive U.S. energy prices
16 compared to Mexico.

17 Our aim is to supply our U.S. affiliates,
18 Deacero U.S.A., Stay-Tuff, and Mid-Continent and also
19 our unaffiliated U.S. customers with the galvanized
20 steel wire that we have started to manufacture in the
21 United States.

22 Finally, I want to say that we are here
23 today because we believe it is important to provide
24 the Commission with all the information that is
25 required to make a decision in this case regarding

1 imports from Mexico.

2 We also wanted to explain why the U.S.
3 market is important to Deacero and why we are
4 committed to protect these U.S. investments on our
5 future growth for the long-term.

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

8 MR. CAMPBELL: Thank you, Eugenio.

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

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

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

25 First, Eugenio stated that we do not plan to

1 export galvanized wire to our U.S. customers. There
2 are several additional reasons for this. Most
3 important as you have heard, we have made the decision
4 and investment to start producing galvanized wire in
5 Houston, Texas to supply our U.S. affiliates and our
6 U.S. customers.

7 We do not plan to supply the U.S. market
8 with wire produced at our own galvanizing facilities
9 in Mexico. This plan makes sense when you consider
10 our limited on use production capacity in Mexico.

11 Our core business strategy to focus on
12 higher value added downstream products and the
13 increasing demand galvanized wire in Mexico and other
14 markets.

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

19 First, Deacero operates at extremely high
20 levels of capacity utilization. We cannot produce
21 more galvanized wire because we are operating at full
22 capacity of the galvanizing lines. Given our product
23 mix of coatings and diameters, we project that we will
24 continue to operate at these same high levels through
25 2013.

1 Also, our galvanizing capacity in Mexico
2 will be approximately the same in 2013 than it was in
3 2011, therefore, we cannot expand our production of
4 galvanized wire from current operating levels, and
5 this will not change.

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

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

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

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

24 If we look at the year to date data from
25 2012, compare it to 2011, we have increased our

1 production in Mexico of wide-range downstream products
2 such as hardware cloth by 42 percent, low-carbon
3 barbed wire by 25 percent, 2.5 inch nails by 19
4 percent, Deacero fence by 16 percent, ropes by 177
5 percent, high tensile barbed wire class three by 85
6 percent. Horse fence by 61 percent. Soft staples by
7 43 percent, and gabions by 62 percent.

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

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

16 For example, the amount for downstream
17 products in the agricultural sector has increased by
18 123 percent, in the automobile sector by 35 percent,
19 in the industrial sector by 100 percent, in the
20 electricity sector by 32 percent, and then the fencing
21 sector by 337 percent.

22 Third, we also must supply our customers for
23 galvanized wire in Mexico. It is our largest volume
24 market for galvanized wire. As a leading Mexican
25 galvanized producer, we have the responsibility to

1 meet Mexican demand for this product.

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

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

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

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

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

25 In Chile, the wine industry has been

1 growing, so we're increasing our sales of galvanized
2 vineyard wire to this country. As part of our
3 philosophy and approach to doing business, we have a
4 long-term commitment to supply the requirement of
5 these applications.

6 Our increased production of downstream
7 products in our projections for increased demand for
8 wire in Mexico and third-country markets will require
9 increased galvanized steel wire.

10 At the same time, as I mentioned, we are
11 operating a full capacity and our production capacity
12 will essentially not change over the next two years.
13 Now that we're producing galvanized wire in the United
14 States, we can supply these growing needs for other
15 products and market with our wire production in
16 Mexico.

17 The second main point I would like to
18 address is galvanized steel wire pricing in the U.S.
19 market. Raw material costs are typically the starting
20 point in our price negotiations with our U.S.
21 customers.

22 We often begin with a discussion of scrap
23 steel cost. Since we make our own steel from scrap
24 and from there we make billets, rods, and finally
25 galvanized steel wire.

1 Scrap steel costs bottomed out in 2008 and
2 then increased each year from there. As our scrap
3 steel cost increased, we faced pressure to increase
4 our galvanized wire prices to account for the higher
5 costs.

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

12 Thank you. This concludes my comments.
13 I'll be happy to answer any questions.

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

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

21 I started H&J in 2008. Before then, I
22 worked for Nelson Steel a manufacturer of wire
23 products that was located in New Salem, Pennsylvania.
24 In total, I have over 20 years of experience buying
25 and selling wire and wire-related products.

1 We buy and sell approximately 150 tons a
2 month of galvanized wire. Most of our sales are for
3 the production of bale ties used for recycling. These
4 types of bale ties require low carbon galvanized wire
5 with a commercial coding and engages from 15 to 11,
6 but mostly 14 gauge.

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

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

15 Leggett and Platt produced very little 14
16 gauge and declined our business because it went to
17 existing customers. Mid South would not produce 14 or
18 15 gauge and declined our other business because it
19 might compete with some of their customers.

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

25 We also attempted to do business with

1 National Standard, but they said they didn't produce
2 14 or 15 gauge galvanized wire.

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

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

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

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

24 Since beginning our relationship with
25 Deacero, we've been very pleased with their quality

1 and service. Deacero has developed an excellent
2 logistics team and stores products in convenient
3 locations in the U.S. such as Laredo, Indianapolis,
4 Chicago, Chambersburg, and Birmingham.

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

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

14 We buy galvanized wire from Deacero
15 primarily because they offer the products that we need
16 at a high level of service, not because of the price.
17 I've always considered Deacero's prices to be in line
18 with market prices.

19 Our price negotiations with Deacero always
20 begin with raw material cost which are the main
21 determinate of their prices. Deacero is an integrated
22 producer producing steel from scrap, then billets, and
23 then wire rod, so our price negotiations normally
24 evolve around scrap steel prices and general market
25 conditions.

1 Raw material costs are also the starting
2 point for price negotiations with any supplier. In
3 2011, wire rod prices spiked to high levels, and I
4 understand that the Petitioners are blaming imports
5 from Mexico and China for their inability to fully
6 pass on the increase in raw material cost to their
7 customers.

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

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

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

23 As loyal as I am to Deacero, H&J has not
24 purchased 100 percent of our galvanized wire from
25 Deacero. From a purchasing standpoint, it's never a

1 good idea to rely on a single supplier because you can
2 be left without product if your supplier runs short on
3 material for whatever reason.

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

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

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

23 We continued to purchase galvanized wire
24 from Deacero after the commerce department imposed
25 preliminary duties on Deacero last November. And we

1 will continue to purchase galvanized wire from
2 Deacero.

3 After November, we purchased galvanized wire
4 from Deacero's U.S. inventory. Going forward, we will
5 purchase galvanized wire that Deacero produces in its
6 Houston facility, in fact, our first load is scheduled
7 to ship at the end of this month.

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

10 MR. CAMPBELL: Thank you, John.

11 This is Jay Campbell again. I'm going to
12 discuss the public data compiled in the staff report
13 and how they support negative injury determination.

14 Our complete arguments are presented in our
15 pre-hearing brief. Today I will just highlight a few
16 key points relevant to the Commission's analysis of
17 the volume price and impact factors.

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

22 In terms of absolute volumes, subject
23 imports increased by 14,417 tons during the POI. But
24 this increase occurred as U.S. demand was growing and
25 was far out-paced by U.S. shipment of domestic product

1 which increased by 87,861 tons, six times as much as
2 subject imports.

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

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

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

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

22 Next, price effects. The Petitioners' focus
23 their argument on price suppression. The staff
24 report, however, indicates that subject imports were
25 not a significant cause of price oppression for two

1 main reasons. First, the reported data indicate a
2 lack of any correlation between subject imports and
3 the U.S. industry's cogs to net sales ratio.

4 From 2009 to 2010, the industries cost-to-
5 price ratio decreased at the same time that subject
6 imports were increasing in volume and decreasing in
7 price.

8 Conversely, from 2010 to 2011, the
9 industries cost to price ratio increased at the same
10 time the subject imports were decreasing in volume and
11 increasing in price.

12 In fact, during the same 2010 to 2011
13 period, subject imports share of the merchant market
14 declined by 2.5 percentage points while the U.S.
15 industry share increased by 2.8 percentage points.

16 These counter trends show that subject
17 imports were not a significant cause of price
18 suppression.

19 Second, the commission stops findings with
20 respect to the U.S. Lost revenue allegations also
21 demonstrate the absence of any significant price
22 suppressing effects.

23 Also, Daniel Gutierrez and Jack Kocerka
24 touched on some of the market-based explanations for
25 why suppliers cannot always raise priced sufficiently

1 to cover costs for a given period such as time lags
2 and resistance from customers who would not be able to
3 pass on the higher costs or the higher prices to their
4 own customers.

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

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

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

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

24 This concludes my comments. Thank you for
25 your time.

1 MR. WAITE: Thank you.

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

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

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

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

22 First, incentive to ship. We have heard
23 today from Eugenio Gutierrez that Deacero has started
24 to produce galvanized steel wire in the U.S. and for
25 this reason does not plan to export this product from

1 Mexico to the U.S.

2 With its new U.S. galvanizing facilities,
3 Deacero does not have the intent or the incentive to
4 ship. Deacero as you have heard accounts for nearly
5 all the Mexican production and exports of galvanized
6 steel to the U.S. Under these circumstances, it is
7 reasonable to expect that imports from Mexico will be
8 limited.

9 On the other hand, there are no similar
10 compelling facts for the Chinese producers. The small
11 number of Chinese producers that have submitted
12 questionnaire responses have indicated that they
13 expect to export 11,260 short tons to the U.S. in
14 2012. That's from the public staff report, table 7-2.

15 We know that these projections are
16 understated because of the limited response to the
17 questionnaires by the Chinese producers. Because of
18 their limited participation, we do not know the full
19 extent of the future presence of imports from China on
20 the market, we do know that it is likely to be more
21 significant than that of imports from Mexico.

22 We think that this fact alone provides a
23 basis to decline to accumulate. A second factor is
24 the industry size and which is an indication to the
25 capacity to export and also export orientation.

1 The size of the industries in the subject
2 countries and their capacity to export is on a
3 different scale. For Mexico, only two producers,
4 Deacero and Camesa, have exported to the U.S., both
5 responded fully to the Commission's questionnaire.
6 The remaining four Mexican producers are small and
7 serve the Mexican market primarily.

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

15 These companies represented only 50.1
16 percent of U.S. imports of galvanized steel wire in
17 2011. The capacity for these Chinese producers is,
18 therefore, extremely understated in the report.

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

24 We do not know the correct complete capacity
25 for the Chinese producers, but we do know that their

1 capacity must be substantially larger than what has
2 been reported.

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

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

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

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

23 In conclusion, we believe that these factors
24 support decumulation of the subject imports and, if
25 considered alone, imports from Mexico do not threaten

1 the U.S. industry. Deacero does not plan to export to
2 the U.S. As imports from Mexico are likely to be
3 limited, they will not have adverse price effects or a
4 significant adverse impact on the U.S. industry.

5 Thank you. That concludes our presentation
6 on behalf of Deacero.

7 CHAIRMAN OKUN: Thank you.

8 Mr. Cameron?

9 MR. CAMERON: Joaquin Barrios from WireCo
10 WorldGroup.

11 MR. BARRIOS: Good afternoon. My name is
12 Joaquin Barrios, and I am the senior vice president of
13 Global Supply Chain Management at WireCo WorldGroup,
14 Inc.

15 Prior to that, I was the senior vice
16 president Mexican operations for WireCo. WireCo is a
17 U.S. manufacturer of high carbon galvanized steel and
18 wire as well as a leading us manufacturer of high
19 quality galvanized wire rope.

20 Wire company manufacturers hide carbon GS
21 wire as its facility in Chillicothe, Missouri.
22 Virtually, all of that high carbon GS wire at its
23 facility in Chillicothe, Missouri. Virtually all of
24 that high carbon GS wire is consumed internally to
25 manufacture high quality galvanized wire rope in

1 WireCo's facilities in Saint Joseph, Missouri,
2 Sedalia, Missouri, and Rosenberg, Texas.

3 WireCo's galvanized steel wire rope is among
4 the best in the world. WireCo sells very little of
5 its domestically produced high carbon GS wire in the
6 merchant market. Approximately seven years ago,
7 WireCo purchased Aceros Camesa in Mexico. WireCo uses
8 hard carbon GS wire produced by Camesa to complement
9 its domestic production of GS wire for use in its U.S.
10 wire rope manufacturing operations.

11 WireCo also sells a small amount of high
12 carbon GS wire to unaffiliated producers for
13 incorporation into their products.

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

23 We have comprehensively addressed the legal
24 criteria for defining a separate like product in
25 WireCo's pre-hearing brief. In my testimony this

1 afternoon, I would like to focus on three key points
2 with respect to high carbon CS wire.

3 First, high-carbon GS wire, defined as
4 galvanized steel wire with a carbon content of over
5 0.64 percent. It's a specialty product with distinct
6 physical properties that make it suitable for use in
7 certain specific applications.

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

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

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

1 carbon content.

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

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

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

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

24 A slower line speed means less output per
25 hour and, therefore, higher processing costs. Special

1 handling and cooling techniques must also be used to
2 prevent excess heat which can damage the wire by
3 causing dynamic strength aging.

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

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

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

23 As a result of these differences in the
24 production process, it is not possible as a practical
25 matter to produce high-carbon GS wire on wire drawing

1 equipment designed for low carbon GS wire production.

2 WireCo's production facilities in the United
3 States and Mexico use specialized machinery and
4 equipment that has been optimized for the production
5 of high carbon GS wire.

6 Third, the U.S. market for high carbon GS
7 wire is very different than for low carbon GS wire.
8 As already noted, most of our production of high
9 carbon GS wire is internally consumed to manufacture
10 high-strength steel wire rope in the United States.

11 The merchant market for high carbon GS wire
12 is essentially a specialty market composed of various
13 niche and uses such as certain mechanical springs,
14 music wire, industrial brushes, umbilical cables,
15 etcetera.

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

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

1 would not be buying low carbon GS wire.

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

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

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

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

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

23 First, we heard this morning from Dr.
24 Magrath that it was absurd for Mexican Respondents to
25 have requested pricing comparisons on -- I believe he

1 characterized it as five percent of the market which
2 was high carbon, and He finds the prices for product 7
3 to be abhorrent.

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

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

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

22 So I understand Dr. Magrath's point, but I
23 believe that that actually is our point. This case is
24 not about high carbon GSW, and it is a separate light
25 product.

1 Secondly, there was a question this morning
2 about the common machinery, and we heard from the
3 witness from Oklahoma Wire saying we use all the same
4 equipment. Now, he also -- this is the same witness
5 who wanted to redefine what we are calling high carbon
6 wire, galvanized wire, as over 0.44 percent, lowering
7 the bar.

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

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

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

25 The issue is the line drawing machines, and

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

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

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

18 And Commissioner Pinkert will start the
19 questions this afternoon.

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

23 I want to begin with a couple of questions
24 on the high carbon issue, and the first one, Mr.
25 Cameron, please don't think that I've judged this

1 question. I just need to know your view --

2 MR. CAMERON: Wouldn't think of it.

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

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

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

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

22 MR. CAMERON: Sure. Go ahead, Joaquin.
23 Well, I mean, if we're talking 100 percent, I suspect
24 that the answer of absolutes as different is a very
25 difficult thing to say.

1 Our understanding of the vineyard wire is
2 that its 1055 to 1060 which is, of course, not high
3 carbon when it's defined as over 1064 grade. With the
4 1064 grade, when we're talking about the umbilical
5 cable, for instance, that is cable that is going down
6 under the sea for various uses.

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

12 But I believe that it is a fair
13 characterization.

14 Joaquin, why don't you --

15 MR. BARRIOS: I do agree. Even in low
16 carbon and high carbon we have too many different
17 types of products. Our point is that in our case
18 we're mainly concentrated in steel wire rope and wire
19 rope is much more demanding, technically speaking,
20 starting with raw material, with process capabilities,
21 and the finish characteristics. The physical
22 characteristics of the wires are different, more
23 demanding, more expensive to produce than the general
24 trends of low carbon wire rope family -- well, wire
25 family.

1 MR. CAMERON: And I think when you listen to
2 the description of the products which was -- the
3 mantra from the domestic producers, it was really a
4 litany of products that use low carbon galvanized
5 wire.

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

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

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

25 COMMISSIONER PINKERT: Thank you. Now

1 turning to the internal consumption and transfer to
2 related firms issue that was raised by some of the
3 other folks on the panel, what I would like to know is
4 whether it's your contention that such production,
5 internal or transferred to related firm, is insulated
6 from the impact of import competition solely because
7 it's internally consumed or transferred to related
8 firms or is there some other factor or set of facts on
9 the record of this case that warrants a more fact-
10 specific judgment that these transfers and internally
11 consumed products are insulated from the impact of
12 subject imports?

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

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

20 Our point is based on Commission precedent
21 in which the Commission has acknowledge that when
22 there's a large portion, a significant portion, of the
23 US industries production of the domestic-like product
24 that is consumed internally or transferred to related
25 parties for production of downstream products, that is

1 a limiting factor in the competition and that the real
2 direct and the head-to-head competition occurs in the
3 commercial market.

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

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

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

25 MR. CAMERON: Commissioner, just briefly.

1 You know, obviously when it's internal or captive
2 production, you're not competing with outside forces.
3 Nobody we heard this morning was suggesting that
4 their internal consumption is somehow competing with
5 imports.

6 But it was interesting to hear the
7 testimony. I can't remember which witness it was who
8 said that, well, part of the problem was that the
9 downstream product wasn't making any money, and it
10 really was the competition on the downstream product
11 that was injuring their domestic production of
12 galvanized steel wire.

13 And I would suggest to you that, yeah, it
14 sounds like from his description that that was what
15 was happening, and I would suggest to you that that's
16 not a cause of -- that's not caused by imports of
17 galvanized steel wire. That's a downstream product
18 issue.

19 COMMISSIONER PINKERT: Let's stay with that
20 thought for a second, Mr. Cameron. If the company is
21 facing competition in the downstream market that is
22 using subject imports to produce the downstream
23 product, then couldn't there be an impact from those
24 downstream sales back to the internal consumption by
25 the domestic industry?

1 MR. CAMERON: Well, Commissioner, I think
2 that is going to be a very difficult thing to prove
3 first off. Secondly, there's no evidence on the
4 record that it necessarily is because of imports.
5 What he was saying was, and this was the testimony
6 that we heard earlier with respect to, well, the
7 conditions of competition in 2011 have changed and I
8 can't necessarily pass on everything on my end product
9 and therefore where does the price pressure come.

10 And that doesn't necessarily mean that it
11 was imports from somebody else that was creating the
12 price problem on the chain link fence. It may be that
13 the farmers that are buying the chain link fence said,
14 I don't care. I can't pay you one dime more than that.
15 And I believe that that was the tenor of the
16 testimony that we heard.

17 CHAIRMAN OKUN: Commissioner Johanson.

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

24 I understand that Deacero is operating at
25 very high capacity at your facilities in Mexico, and I

1 was wondering what is the demand like in Mexico at
2 this point and time, and what do you expect for the
3 future? If you're operating at high capacity, there
4 must be a great deal of demand.

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

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

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

21 MR. E. GUTIERREZ: I mentioned a bit during
22 my presentation, for the construction sector, it
23 ranges all the way from nails to welded wire to rebars
24 from steel mill. So there is a full range of products
25 that we serve through that market.

1 COMMISSIONER JOHANSON: And just out of
2 curiosity, do you have competition from U.S. suppliers
3 in the Mexican market?

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

8 COMMISSIONER JOHANSON: Not including
9 galvanized steel wire though?

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

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

18 MR. E. GUTIERREZ: For the first question,
19 we've had that facility since we acquire Wire Rope
20 Manufacturing in the U. S. since 2007, and that has
21 been producing since 2007 Wire Rope.

22 During the past months, we install the
23 galvanizing line, we install it, and it is already
24 under protection. We will have further, we will
25 provide further comments that are confidential in the

1 post-hearing brief. Did I answer your question?

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

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

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

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

23 MR. CAMPBELL: Thank you. I just wanted to
24 add a footnote on that just for some background.
25 Deacero is actually, Deacero is U. S. affiliated.

1 Deacero U. S. A. is the importer of record for all of
2 Deacero of galvanized steel wire to the United States.

3 So with the U. S. system of retrospective
4 anti-dumping duty assessment, in Dakar's assessment.
5 Bad word. In Dakar's judgment or calculation, you
6 know, as the importer of record, as Eugenio touched
7 on, they didn't want to have to deal with the
8 uncertainty of the anti-dumping liability. It's a
9 very rational decision.

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

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

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

1 of it.

2 COMMISSIONER JOHANSON: All right. Yes,
3 Mr., Campbell.

4 MR. CAMPBELL: Just adding to that. You
5 know, there was testimony this morning from one of the
6 U.S., from one of the petitioners on this as well
7 noting that ever since the 2009 recession, U. S.
8 customers have demanded more timely and just-in-time
9 delivery. And with Deacero's distribution network in
10 the United States, they are more attractive than an
11 import source such as China or any other offshore
12 source.

13 COMMISSIONER JOHANSON: All right. I
14 understand that. In fact, I have another question for
15 you along those lines. Do you actually do your
16 manufacturing in Monterrey?

17 MR. E. GUTIERREZ: Eugenio Gutierrez from
18 Deacero. Yes, in Monterrey and other states of
19 Mexico.

20 COMMISSIONER JOHANSON: Okay. So Monterrey
21 is about two hours from the border or something like
22 that.

23 MR. E. GUTIERREZ: Correct.

24 COMMISSIONER JOHANSON: I took a bus down
25 there once. So I know the distance quite well. I

1 went from, I guess, Laredo to Monterrey. I've been on
2 that very wide highway. So, okay. Thank you.

3 To what do you attribute the domestic
4 industry's ability to gain market share during the
5 period of investigation? Do you all have any theories
6 on that?

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

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

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

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

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

11 But nevertheless, demand is still not where
12 it was before the 2009 recession. So there's still a
13 way to go. On top of that, so we did see, the U. S.
14 industry was increasing its profitability from 2009-
15 2010.

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

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

25 So basically, we think the U.S. industry's

1 performance ties perfectly, is explained by basic
2 market conditions, demand, and then the fact that raw
3 material costs in 2011 spiked.

4 And in today's business climate, you know,
5 it's not so easy to pass on those costs to customers
6 who are facing difficulty would have to, in turn, pass
7 those costs onto their own customers.

8 COMMISSIONER JOHANSON: All right. Thank
9 you for your answers. My time is expired.

10 CHAIRMAN OKUN: Thank you again for your
11 responses thus far. Let's see. I would like to start
12 with producers, but let me start with the legal
13 argument although I was going to mention to folks if
14 you're hearing the large, not the phone which needs to
15 go off, but if you're hearing the large bumps in the
16 back, we do have a window washer back there.

17 So we'll just work through that. It's
18 better than, we've had jack hammers doing
19 construction. So I will proceed once the phone is
20 off. Now the bells. Okay. Mr. Campbell, I'll start
21 with you on a legal question and saying for Mr.
22 Gutierrez which is, I appreciate the honesty of the
23 response about the pendency.

24 The petition did impact import volumes that
25 you made a rational business decision to serve

1 existing customers. And so you would agree that Mr.
2 Magrath's chart is, I mean, the way the Petitioners
3 argued, it did impact Mexican volume.

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

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

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

24 So when you consider those two factors, we
25 submit that the 2011 subject import volume is still

1 reliable and should not be discounted.

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

7 And should we also be trying to collect data
8 on that time on the cogs to sales ratio and the other
9 financial performance to see if it's correlating with
10 those volumes as opposed to just the overall 2011
11 number.

12 Do you see a distinction there or you
13 wouldn't try to break that out to try to understand
14 what's going on?

15 MR. CAMPBELL: Okay. So the question is
16 whether, for example, the Commission should request
17 monthly financials?

18 CHAIRMAN OKUN: Well, we have monthly import
19 data, but I think one of the questions you heard us
20 asking the panel this morning was, okay, we see import
21 data. We're not sure we can see what's going on with
22 respect to the cogs sales ratio or with profitability
23 tying up with that volume data.

24 How would you have us evaluate that given, I
25 mean, there are decreases in the import volume. How

1 would you have us analyze the other factors with
2 respect to what's the causation or what's the causal
3 connection to subject imports in that period?

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

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

13 So that shows a disconnect, a lack of
14 correlation. And we think it's reliable because,
15 again, we think the import, subject import volumes for
16 2011 are reliable.

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

22 It's across the board. Even if we start
23 from 2008 and go to 2009, from 2008-2009, the U.S.
24 industry's cogs to net, and that's pre-petition, U.S.
25 industry's cogs to net sales ratio, I want to make

1 sure I get this right, increased.

2 And that occurred as from 2008-2009, the
3 volume subject imports decreased considerably, and the
4 average unit values of subject imports also decreased.
5 And then we have another period to look at, 2009-
6 2010.'

7 During that time frame the U.S. industry's
8 cogs to net ratio decreased at the same time that the
9 volume subject imports increased, and the average unit
10 values of the subject imports decreased. So
11 throughout the POI, we don't have to just look at
12 2010-2011 time frame.

13 Also looking at 2008-2009, 2009-1010, and
14 2010-2011 across the board, we see a lack of
15 correlation between subject imports and the U.S.
16 industry's cogs to net sales ratio.

17 So the record evidence just does not support
18 the Petitioner's argument that the subject imports
19 were a significant cause of price suppression.

20 CHAIRMAN OKUN: Thank you for those
21 comments. Mr. Kocerka, let me turn to you a moment.
22 You had in your testimony talked about your inability
23 to source domestically. And I just wanted to be sure
24 I understood.

25 When you were attempting to source

1 domestically from those who were not competitors and I
2 understood you were making distinctions. If someone
3 was a competitor, you wouldn't want to source from
4 them.

5 Was that during the period we're looking at?
6 You can use your microphone or make sure it's close
7 to you.

8 MR. KOCERKA: I'm sorry. That was in late
9 2008 and early 2009.

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

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

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

22 I know you're providing information
23 confidentially. If there is information that you're
24 providing, if you can just indicate when it was
25 prepared, you know, the timetable for the

1 documentation that you're submitting.

2 And then also, if included in there or
3 otherwise in your business plans, they're the
4 corporate level or otherwise, if you have demand
5 forecasts in there for demand for the U.S. market and
6 the Mexican market, I'd appreciate seeing those as
7 well.

8 MR. D. GUTIERREZ: We'll do so. We'll
9 provide that information in the post-hearing brief.
10 And I can tell you that the investment in the
11 galvanizing line, it's not a decision of a day or two,
12 but it's prior months of planning. Thank you.

13 CHAIRMAN OKUN: Okay. Thank you for
14 providing that information afterwards. And then I
15 wanted to give you an opportunity to comment on the
16 capacity utilization figures for the domestic
17 industry.

18 And often I don't ask the Respondent's panel
19 to do that because, you know, you don't know their
20 business. But because we have producers here, I'm
21 curious if there is anything further you could say
22 about capacity utilization, how it affects the
23 financial performance of this industry.

24 MR. E. GUTIERREZ: I don't have the numbers
25 in the top of my head. But we will respond to that in

1 the post-hearing brief.

2 CHAIRMAN OKUN: Okay. Thank you. Mr.
3 Campbell.

4 MR. CAMPBELL: Just to add to that, also the
5 domestic industry's capacity utilization figures
6 should be looked in total and in context. You know,
7 they complain about the excess capacity utilization
8 that they have, but it is notable that in each year,
9 the POI capacity utilization increased significantly.

10 And in addition, it's notable that in 2008,
11 which was the peak demand year, their capacity
12 utilization rate was 60 percent. So that's kind of a
13 high-water mark, about as reasonable as they could
14 expect.

15 And they're back to that level in 2011. So
16 really historically, their capacity utilization ramped
17 up to a strong level if you look at their historical
18 trends.

19 CHAIRMAN OKUN: Thank you for those
20 comments. I'm going to look forward to what you can
21 put in post-hearing as well. And rather than try to
22 start a new question, my time is about up. I will
23 turn to Vice-Chairman Williamson.

24 VICE-CHAIRMAN WILLIAMSON: Thank you, Madam
25 Chairman, and I do want to express my appreciation to

1 the witnesses for coming this morning. We know you've
2 traveled a long way.

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

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

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

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

25 It's not simply one end use product. There

1 are a variety of these products, but they are all very
2 demanding. And so I think the answer to that is, no.
3 Do you have anything you want to add?

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

10 VICE-CHAIRMAN WILLIAMSON: Well, may I
11 suggest posterior that you take a look at this Table 2-
12 1 and the volumes there and sort of help us
13 understand, putting your arguments in that context
14 would be helpful.

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

18 MR. CAMERON: Well, the 1064 thought the top
19 is actually, is the category. It encompasses 1064,
20 1065. It encompasses 1074, 1080. We have all of
21 those various products.

22 They are various strengths, but they're
23 comparable in a very basic sort of way in terms of
24 tensile strength and in terms of carbon content, and
25 in terms of the demands of the end use. Do you have

1 anything?

2 MR. BARRIOS: Yes. I mean and it doesn't
3 finish in 1080. Actually, you can go beyond, and I
4 think that we would like to provide this information
5 in a different biorhythm. But I mean, yes, there are,
6 and I can tell you those are really high, high, high
7 tech wires and eventually high technical ropes that we
8 are interested in.

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

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

20 Well, that really is what we're saying I
21 think in terms of the way this is done. They don't
22 produce higher than that. Why not? Well, for one
23 thing, he doesn't have the machinery to produce the
24 1065 and above in any efficient manner it appears.

25 So I think that it's, this is the definition

1 that we use because it's appropriate and we believe
2 that it does fit the facts we think support our
3 argument.

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

7 MR. CAMERON: Will do so.

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

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

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

23 VICE-CHAIRMAN WILLIAMSON: Okay. Thank you.
24 Mr. Kocerka?

25 MR. KOCERKA: Kocerka, yes.

1 VICE-CHAIRMAN WILLIAMSON: Excuse me. I'm
2 sorry. Do you ever compete for sales with any U.S.
3 produced wire?

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

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

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

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

21 But since then have added Chambersburg, and
22 we were able to work out programs so that we had an
23 available of wire, and more consistent supply. It
24 just worked out that I became a very good customer of
25 Deacero.

1 VICE-CHAIRMAN WILLIAMSON: Okay. Okay.
2 Thank you for that clarification. Deacero, in
3 general, how does the profitability, and this may have
4 to be post-hearing. I understand.

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

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

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

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

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

22 VICE-CHAIRMAN WILLIAMSON: Okay. Thank you.
23 I think this may have already been addressed. But
24 the 64 percent, 0.64 percent, is there industry
25 definition of what is high carbon and what is not?

1 MR. BARRIOS: There is not, and I think that
2 some of the Petitioners this morning said exactly the
3 same. There is no clear line saying this is high
4 carbon, this is low carb.

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

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

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

18 CHAIRMAN OKUN: Commissioner Pearson?

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

24 And my recommendation would be that you
25 speak to your Counsel and see whether it wouldn't be

1 feasible to do a debrief on a walk around the Tidal
2 Basin. I drove by there this morning. They're
3 lovely.

4 And actually, that's a suggestion I would
5 direct to domestic industry too. We can all be united
6 on that point, huh? This is probably primarily for
7 Deacero, but for all representatives, but do you face
8 competition in the United States from U.S. produced
9 galvanized steel wire?

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

14 MR. D. GUTIERREZ: Daniel with Deacero.
15 Yes. The border is open to transfer galvanized wire
16 from the U.S. into Mexico.

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

21 MR. D. GUTIERREZ: I'll say that they are
22 primarily in certain nature markets, in Mexico certain
23 sectors. And much more focused into high carbon,
24 galvanized wires, and not low carbon galvanized wires.

25 Probably there is not the interest of the

1 U.S. producers in selling low carbon into Mexico. I'd
2 don't know if that's the case or not, but high carbon
3 galvanized wire, it's definitely a product that they
4 use in Mexico and that that U.S. producers bring into
5 Mexico.

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

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

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

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

25 MR. E. GUTIERREZ: Eugenio Gutierrez from

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

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

11 MR. E. GUTIERREZ: Correct.

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

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

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

23 MR. E. GUTIERREZ: Definitely there's more
24 enforcement. If you want additional information, we
25 can get that.

1 COMMISSIONER PEARSON: It's a little bit
2 aside from the subject of today's hearing. I was just
3 curios and I was quite sure you would know something
4 about it. Mr. Kocerka, is your firm a distributor or
5 do you also process the wire that you buy to get it
6 into a form that's more readily usable by your
7 customers?

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

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

19 MR. KOCERKA: In some cases, yes.

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

25 And it's possible that someone would take

1 the initiative to look through previous commission
2 investigations to see if there's been any fact pattern
3 like this that we've dealt with before.

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

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

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

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

19 COMMISSIONER PEARSON: For those of you who
20 have actual knowledge of how the steel business works,
21 do any of you have, could you comment on the decision-
22 making process by which a firm would make the choice
23 whether to internally consume some galvanized steel
24 wire rod to make a downstream product versus the
25 decision to put that product onto the commercial

1 market. What goes into that decision?

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

10 COMMISSIONER PEARSON: At least in part.

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

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

19 MR. CAMERON: Well, the only thing I can
20 tell you is that as far back as 1992 and the flat roll
21 steel cases, the domestic industry was testifying.
22 This is where captive production first came up.

23 And they were basically testifying to the
24 fact that look, you are always going to push the
25 product upstream or downstream, however you want to

1 characterize that.

2 In other words, for hot rolled steel, you're
3 not going to sell hot rolled steel on the merchant
4 market in preference to further processing it into
5 cold rolled or into corrosion resistant.

6 And it's the same theory here. You're
7 getting the value-added, and the value-added is just
8 that, and you should be getting higher profit on it
9 unless the downstream market is totally tanked I
10 suspect. Do you have anything to add?

11 MR. BARRIOS: This is Joaquin Barrios with
12 WireCo. I think that that varies from company to
13 company from management philosophy to management
14 philosophy. Obviously, there are some economics
15 involved.

16 But in some cases, you are not looking just
17 for price. You are looking for quality. In some
18 cases, you are looking for service. In other cases,
19 you are looking for reliability. So I think that
20 that's a very broad question and I think that every
21 single company may have its own answer.

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

25 MR. E. GUTIERREZ: Just to wrap it up, I

1 think there's an economical rationale of going into
2 higher value-added products after galvanized steel
3 wire, and that is consistent with the testimony that
4 Daniel Gutierrez mentioned an hour ago.

5 COMMISSIONER PEARSON: Thank you. If there
6 is anything more that you'd like to put on the post-
7 hearing, that would be fine. As you can tell, I'm
8 still trying to get my arms around these issues. My
9 time has expired, Madam Chairman.

10 CHAIRMAN OKUN: Commissioner Aranoff?

11 COMMISSIONER ARANOFF: Thank you, Madam
12 Chairman. Welcome to all the witnesses. Mr. Kocerka,
13 you had testified that about 20 percent of what you
14 buy, give or take, is not coming from Deacero and it's
15 coming from offshore suppliers.

16 For that, I just wanted to clarify. I think
17 what you were saying was nobody inventories that
18 product in the U.S. for you so you have to bear those
19 costs.

20 MR. KOCERKA: The other wire that I
21 purchased from offshore, correct. They do not
22 inventory any in the United States, and it makes it
23 very difficult to buy because of the long delivery
24 times, the price fluctuations from the time you place
25 and order to you receive it and the constraints of

1 storage at the plants when four or five containers
2 would arrive on one day. They just have restrictions
3 on where they could store material.

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

7 MR. KOCERKA: Very low.

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

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

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

23 MR. KOCERKA: Right.

24 COMMISSIONER ARANOFF: If you could just go
25 through that for us again in writing and provide a

1 little bit more detail just to make that clear, that
2 would be really helpful.

3 MR. KOCERKA: Okay.

4 COMMISSIONER ARANOFF: Thanks. A legal
5 question. In the public portion of Deacero's brief,
6 you indicate that some subject imports from Mexico are
7 largely or partially being supplied to U.S.
8 affiliates, and you talked about that in your
9 testimony too. My question is, from a legal matter,
10 does that really matter since aren't those sales that
11 otherwise could have gone to the domestic industry.

12 I can see why it might matter in the threat
13 context when we're talking about the likelihood for
14 increased imports, but I'm not sure why it matters
15 from a present injury standpoint.

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

21 We do think that over the period, Deacero
22 logically sold these imports to its affiliates and
23 that this accounts for the volume increase. Now
24 whether other domestic producers would have supplied
25 these affiliates, we don't know that given the

1 information that they're not always wiling to supply
2 some customers.

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

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

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

21 The argument Petitioners were making this
22 morning, was that is a sort of broader response, and
23 it tends to suggest that availability and reliability
24 are not a problem for domestic producers that needs to
25 be rectified.

1 How should the Commission weigh that general
2 question which most or all purchasers answered against
3 a few anecdotal instances that have been cited to us
4 or sort of theoretical concerns that have been cited
5 to us about availability from the domestic industry?

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

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

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

25 In fact, subject imports were present in the

1 U.S. in higher volumes even before the period of
2 investigation. So there is a need, and one reason for
3 that, one of the needs is just this desire to
4 diversify supplies so that a U.S. purchaser isn't
5 totally reliant on U.S. suppliers because disruptions
6 can occur.

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

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

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

21 And even if we can establish from purchaser
22 questionnaires or other sources that users of this
23 product are concerned about diversifying their sources
24 of supply, this is not a situation where there are
25 only one or two domestic producers out there.

1 This is an industry where there are quite a
2 few decently sized domestic producers. And so I think
3 we're interested not just in do you need to diversify
4 supply, but why do you need to diversify supply away
5 from the entire domestic industry?

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

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

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

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

24 They may not be making it now, but they
25 could if the price were right. But that's another

1 issue where we're going to have to weigh the evidence
2 on both sides. Is it an availability issue or is it a
3 price issue?

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

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

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

16 CHAIRMAN OKUN: Commissioner Pinkert.

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

24 I would invite all parties in the post-
25 hearing to take a look again at the facts of this case

1 and the facts that have been alleged today and tell me
2 or tell us whether or not the domestic industry's
3 internal consumption is vulnerable, to some extent, to
4 competition from subject imports.

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

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

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

24 MR. CAMPBELL: This is Jay Campbell. First
25 of all, we would agree that the price comparison data

1 are not representative at the preliminary stage. The
2 Commission actually described the price comparison
3 data as rather limited.

4 And even the Petitioners noted in their
5 post-conference brief that the price comparison data
6 on the record at the preliminary phase do not rise to
7 a substantial share of total quantities imported.

8 And we would submit that at this stage, the
9 products chosen and the quantities which they were
10 sold still do not rise to a substantial share of the
11 total quantities sold in the U.S. market.

12 And for that reason the data is somewhat
13 limited. As to the reasons why that is, honestly
14 we're going to have to put a little more thought into
15 that. There seems to be a bit of disconnect as which
16 products are sold in the highest volumes and would be
17 most representative, and I think we have to give a
18 little more thought why there was that disconnect.

19 COMMISSIONER PINKERT: I'd appreciate that.
20 Mr. Cameron?

21 MR. CAMERON: Well, do you want, actually
22 with respect to high carbon, we believe that the
23 pricing data reveals quite a bit. Just getting back
24 to Commissioner Williamson's question about the 1044-
25 1064.

1 Okay. There are three pricing categories
2 for, there are two pricing categories that are 1044
3 and above, and then Product 7 is 1064 and above. We
4 don't have any domestic pricing data on two of those
5 categories.

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

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

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

23 But it's starting with scrap. There are
24 certain producers that need certain scrap to produce
25 good quality, high carbon content. Then you need to

1 have in the still making process, you need to have
2 some technical things that I do not pretend to get
3 into detail like electromagnetic steering that you
4 need to have in order to get good quality wire, good
5 quality steel.

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

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

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

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

23 Well, we don't compete in that market.
24 We're not in California. We're not competing with
25 Davis Wire. So again, what we're suggesting is, yes,

1 when you heard the testimony this morning, they
2 repeatedly talked about this is a commodity product.

3 This is all commodity. Everything is a
4 commodity. Well, that's great, but then we get into
5 the price comparison data, we get into the products
6 that you're using high carbon galvanized wire for, and
7 it's a lot less commoditized, and what are you seeing?
8 Well, one of the things that you're seeing is that
9 the volumes are much smaller. Why are the volumes
10 much smaller? Because it's not a commodity product.
11 Again, these facts are mutually reinforcing.

12 So I understand that we're talking about
13 bright lines versus a continuum. We all talk about.
14 We all talk about that in every case that involves a
15 like product, but as has been observed by Commissioner
16 Aranoff, it doesn't matter whether I say no, it's a
17 bright line, and they say it's a continuum. It's not
18 going to depend upon that. We understand it's going
19 to be a factual determination. But, again, when we
20 are analyzing the data, this segment of the market
21 does not appear to be the commodity product that was
22 described, and that really is the point. So, that's
23 the way we look at it, but, yes, we do know these, you
24 know, Johnstown Wire, they do work -- they do business
25 with Johnstown Wire. They are a very good company.

1 Nobody is saying otherwise. But, again, I don't think
2 that we're competing with customers for them either.

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

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

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

25 COMMISSIONER PINKERT: Thank you. I note

1 that you didn't offer me an interpretation of the
2 case. So, that's helpful. And, with that, I thank
3 the panel, and I look forward to the post-hearing
4 submissions.

5 CHAIRMAN OKUN: Commissioner Johanson.

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

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

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

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

25 MR. BARRIOS: This is Joaquin Barrios with

1 WireCo. Just to be precise, we do not distribute
2 wire, but we do wire rope. Actually, we have
3 different business all around United States. Again,
4 we are concentrated in wire rope, not in wire.

5 COMMISSIONER JOHANSON: But not galvanized
6 steel wire, correct?

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

9 COMMISSIONER JOHANSON: Okay.

10 MR. CAMERON: And, yes.

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

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

14 COMMISSIONER JOHANSON: -- companies?

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

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

21 MR. D. GUTIERREZ: Germany.

22 COMMISSIONER JOHANSON: Okay.

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

25 COMMISSIONER JOHANSON: Okay. Thanks. Any

1 other responses? Okay. Our pricing data shows that
2 prices for imports from Mexico for several products
3 increased during the period of investigation. Were
4 these increases driven by raw material costs?

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

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

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

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

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

22 COMMISSIONER JOHANSON: Okay. And who do
23 you all view as the price leaders in this market?
24 This is something which came up this morning.

25 MR. D. GUTIERREZ: Daniel Gutierrez with

1 Deacero. I'll say that it's a mix of the U.S.
2 producers.

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

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

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

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

24 Let me just follow up. I'm just trying to
25 make sure I understand what the argument is of how we

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

22 MR. CAMPBELL: Just to clarify, this is J.
23 Campbell, just to make sure I understand the question.
24 You want us to clarify in lieu of the pricing
25 comparison data what we think the Commission should be

1 looking at in its price analysis.

2 CHAIRMAN OKUN: Yes.

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

20 Also, we would point to, and we talked about
21 this in our prehearing brief a bit, but it's notable
22 that in the staff report, in the Section 2, a majority
23 of purchasers described prices of subject imports,
24 both Mexican and Chinese and U.S. product is
25 comparable. So, that's just an example of kind of a

1 broader measure of pricing than the more limited
2 pricing data on the record.

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

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

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

19 VICE CHAIRMAN WILLIAMSON: Thank you, Madam
20 Chairman. Just a few questions. Deacero, since
21 this -- are you claiming that Deacero's extensive
22 warehousing network in the U.S. is a non-price factor
23 for increased imports and that that would be reason
24 for, you know, a negative determination? And, if so,
25 is there a Commission precedent for that?

1 MR. CAMPBELL: To answer your question,
2 Commissioner, yes, we think that Deacero's local
3 distribution in the United States is a non-price
4 factor that explains their increasing volumes,
5 particularly after the 2009 recession. And, again,
6 there was testimony this morning from the U.S.
7 producers on this point that since that time, since
8 the recession, U.S. customers are, you know, they're
9 more cautious, they're more conservative. So, they
10 want quicker in time delivery, and Deacero is one of
11 the -- really the only, to our knowledge, import
12 source that can provide that.

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

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

1 being the reason there's not adverse effect.

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

4 VICE CHAIRMAN WILLIAMSON: Good. Okay.
5 Thank you. Also from Mr. Campbell, looking at the
6 domestic industry's cogs and the relatively narrow
7 range that they have fluctuated, is the consistency of
8 the high cogs more significant than the fluctuations,
9 especially given the preliminary decision in November
10 2011 and the effect that that had?

11 MR. CAMPBELL: We would submit that the --
12 that the fluctuations are what the Commission should
13 focus on. The trend -- for the U.S. -- the
14 Petitioners are trying to establish a causal link
15 obviously between subject imports and the price
16 suppression, and the problem is there's no affirmative
17 evidence of a causal link, especially when you look at
18 -- when you see the counter trends, and the counter
19 trends require us to look at the fluctuations in the
20 U.S. industry's cogs to net-sales ratios, so again, we
21 think what's more informative and indicative and
22 demonstrates that the subject imports are not a cause
23 of injury or a significant cause of price suppression
24 on U.S. produced produce, the fluctuations and the
25 trends support that.

1 The fact that the U.S. industry's cogs to
2 net-sales ratio in terms of the changes from year to
3 year, those are not at all correlated with the volumes
4 and prices of subject imports. So, again, we would
5 submit that the fluctuations in the cogs to net-sales
6 ratio are what the Commission should be focusing on in
7 its analysis.

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

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

21 VICE CHAIRMAN WILLIAMSON: Okay. Thank you,
22 anything in post-hearing, anything Petitioners want to
23 say on this subject post-hearing, I'd appreciate it.
24 Thank you. Okay. Also for Deacero, you indicated you
25 are selling a galvanizing line in the U.S., and does

1 this mean that you will be importing ungalvanized wire
2 made at your facilities in Mexico or will you be
3 making the wire itself here?

4 MR. E. GUTIERREZ: We have the opportunity
5 to source that black wire from our U.S. affiliates who
6 manufacture black wire. Also, from other U.S.
7 producers that are here today, other U.S. producers.
8 Thank you.

9 VICE CHAIRMAN WILLIAMSON: Okay, thank you.
10 And just one last question here, it's sort of -- you
11 have indicated that Deacero does not project future
12 exports to the U.S. once the U.S. production gets
13 started. And I was just wondering how you might
14 respond if somebody raised the question, well, if you
15 don't plan to export, what is Deacero's interest in
16 opposing the imposition of an AD order?

17 MR. E. GUTIERREZ: Eugenio Gutierrez from
18 Deacero again. If U.S. producers can't supply the
19 U.S. market, we will limit ourselves to small quantity
20 of exports in a responsible manner.

21 MR. D. GUTIERREZ: I just want to -- Daniel
22 Gutierrez, I just want to reaffirm that we are here,
23 because I mention in my prelim and on my testimony, we
24 are a family-owned company. And we've been in the
25 U.S. market for more than 30 years, and the image that

1 we have in the market and the image that we have in
2 the responsibility that we have with our U.S.
3 customers has to be firm. And that's why we are here,
4 to finish the process of this case.

5 VICE CHAIRMAN WILLIAMSON: Okay. Thank you,
6 and I have no further questions, and I want to thank
7 all the witnesses for their testimony this afternoon.
8 Thank you.

9 CHAIRMAN OKUN: Commissioner Pearson?

10 COMMISSIONER PEARSON: Thank you, Madam
11 Chairman: I believe I have just three questions and
12 all of them for Deacero. This morning, the domestic
13 industry made a statement to the effect that the
14 pricing of Deacero on galvanized steel wire in the
15 United States consistently seems to be the same
16 everywhere, regardless of distance. Do you have
17 thoughts on that?

18 MR. D. GUTIERREZ: That was the same
19 question that the U.S. Petitioners said in the prelim,
20 and definitely that's not true. I mean, we based our
21 prices on raw materials and our cost on the
22 infrastructure that we have in logistics and the
23 warehousing that we have, and the value added that we
24 placed to the product that we sell in each location.

25 COMMISSIONER PEARSON: Mr. Campbell, perhaps

1 for purposes of the post-hearing, it might be possible
2 to document that in some reasonable way, not that
3 takes hours and hours, but I would guess that Deacero
4 would have that sort of documentation.

5 MR. CAMPBELL: We will do so, sure. Thank
6 you.

7 COMMISSIONER PEARSON: It also was mentioned
8 this morning of -- or claimed this morning that
9 Deacero's seemed to be the same regardless of the
10 diameter of the wire, and I think what they meant to -
11 - what they were saying was that it was a pricing
12 based just on weight of steel and zinc and
13 irrespective of the diameter of the wire. Could you
14 comment on that, please?

15 MR. D. GUTIERREZ: Yes, Daniel Gutierrez
16 from Deacero. We do make a difference in the
17 different coatings of our galvanized steel wire. If
18 you want further information, we can provide that in
19 the post-hearing. Not only on coating, but also on
20 diameter.

21 COMMISSIONER PEARSON: Okay, please, another
22 topic that should be possible to shed some light on,
23 and, obviously, that information is all confidential
24 and will be treated as such. Then one more point.
25 This also I think may have come up in the pre-hearing

1 or in the conference months ago, and this was the
2 statement that Deacero had raised its price on all of
3 its galvanized wire by \$160.00 a ton in response to
4 the possibility of a trade case rather than in
5 response to conditions in the market -- other
6 conditions in the market. Was there something about
7 that price increase that you could share with us now
8 or else in the post-hearing? Do you know what I'm
9 referring to, because, of course, there could be many
10 price increases. All I know is what I have in front
11 of me.

12 MR. D. GUTIERREZ: No, we are more than
13 welcome to address this in the post-hearing as well,
14 but I just want to add a comment that we were under
15 pressure due to the cost that the raw materials were
16 facing, not only Deacero, but also the U.S. -- the
17 U.S. -- the domestic producers were under pressure to
18 raise prices. So, that was part of why we were
19 raising the prices. And, coincidentally, a month
20 later, the trade has started to happen.

21 COMMISSIONER PEARSON: The case was
22 beginning to be talked about or was filed a month
23 later?

24 MR. D. GUTIERREZ: At least we weren't aware
25 of.

1 COMMISSIONER PEARSON: Okay. If you provide
2 more detail in the post-hearing, perhaps there's also
3 information about what other companies might have been
4 doing with their prices in this same time frame,
5 because I don't think there was any assertion even by
6 the domestic industry that Deacero was acting entirely
7 alone, and it might help us understand the conditions
8 that prevailed at that time if you have any
9 information regarding other firms' pricing.

10 MR. CAMPBELL: Okay, we'll see what we can
11 find.

12 COMMISSIONER PEARSON: Okay. Well, thank
13 you very much. I think that concludes my questions.
14 I very much appreciate you being here and have enjoyed
15 this afternoon's session.

16 CHAIRMAN OKUN: Commissioner Aranoff?

17 COMMISSIONER ARANOFF: Thank you, Madam
18 Chairman. Just a couple of quick questions, I just
19 want to clarify for the record, Deacero has argued
20 that the Commission should give little weight to the
21 price comparison data, and the reason that you
22 asserted for that was that the coverage isn't that
23 good for the price comparisons. And I just wanted to
24 check with that aside from the limited coverage, I
25 don't think you've pointed to any flaws in any

1 particular price comparison data that would make them
2 unreliable. Is that correct?

3 MR. CAMPBELL: Yes, that's correct. It's
4 just based on the limited quantities and
5 representativeness in that way.

6 COMMISSIONER ARANOFF: Thank you. Earlier
7 this morning, when we asked Petitioners why they
8 thought Mexican imports went up and Chinese imports
9 went down during the period, they said, 'Well, there's
10 been a price war between Mexican and Chinese imports,
11 and the Mexicans one and drove the Chinese product out
12 of the market.' And I wanted to give you an
13 opportunity to respond to that, either now or post-
14 hearing.

15 MR. CAMPBELL: I believe the Petitioner's
16 price war arguments are based on looking at the
17 average unit values for Mexican and Chinese imports of
18 galvanized steel wire. And what they claim is a price
19 war, really just correlates perfectly with the trends
20 and scrap steel and wire rod prices, the raw
21 materials. So, we will provide more information to
22 show this post-hearing, but if you were take a graph
23 and look at wire rod costs, it would follow that same
24 price per average unit value trend that you saw for
25 subject imports. So, that's what's really driving the

1 prices, raw materials costs. It's not a price war.

2 COMMISSIONER ARANOFF: Okay. So, the
3 question also comes up what happened to that volume of
4 Chinese product that isn't coming to the U.S. market
5 anymore, and whether there is anything on the record
6 or that could be on the record to suggest to us
7 whether there are other more attractive markets that
8 might be drawing that product in. And, in particular,
9 is there anything that we could have on the record
10 that would tell us what prices are like in Third
11 Country markets, relative to U.S. prices for this
12 product?

13 MR. CAMPBELL: To the first point,
14 explaining why Chinese subject import volumes
15 declined, again, we think the main reason is that
16 after the recession, U.S. purchasers were more
17 reluctant to purchase from offshore sources that
18 couldn't provide timely deliveries. So, Deacero was a
19 good fit. It was the only real import alternative
20 that could provide quicker delivery due to their U.S.
21 distribution. We'll have to do a little research and
22 learn the other reasons. It doesn't help the Chinese
23 respondents, didn't appear to help us out on this
24 point. But we'll do a little more work on that.

25 The second question, as far as export

1 pricing to Third Countries, we'll have to do some
2 research on that as well. We don't have those figures
3 with us.

4 COMMISSIONER ARANOFF: Just one followup,
5 which is, in your statement that Mexican producers are
6 sort of the only ones who were left who could provide
7 a comparable delivery to a domestic source after the
8 recession, I would point out that the largest source
9 of non-subject imports is Canada. And those have been
10 declining.

11 MR. CAMPBELL: Right. Again, we touched on
12 this in the preliminary phase, but one of the reasons
13 why there was a decline from Canada, is that one of
14 the producers, Tree Island, which also supplied both
15 low and high carbon, experienced financial problems,
16 and that affected them. And there were customers,
17 former customers, of Tree Island that turned to
18 Deacero for product, and we can provide more
19 information on those post-hearing.

20 COMMISSIONER ARANOFF: Okay. Thank you very
21 much for those answers. With that, I don't have any
22 further questions, but I do want to thank this
23 afternoon's panel for all of the information that
24 you've provided.

25 CHAIRMAN OKUN: Let me check to see if there

1 was another question. Vice Chairman Williamson?

2 VICE CHAIRMAN WILLIAMSON: Just one, just a
3 question. I think I may have missed it, but let's
4 see, Deacero having a black wire facility in the
5 United States, and I was wondering either now or post-
6 hearing if you could put some more information about
7 that facility, you know, size and things like that.
8 thank you.

9 MR. E. GUTIERREZ: We will do so. We will
10 provide that information in the post-hearing brief.
11 We have a facility that has black wire that
12 manufactures black wire.

13 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

14 CHAIRMAN OKUN: I don't see other question
15 from Commissioners. Let me turn to Staff to see if
16 they have questions of this panel.

17 MR. FETZER: Jim Fetzer, Office of
18 Economics. Mr. Ortega, earlier you testified I
19 believe that there's a time lag in raw material costs
20 being incorporated into price. And I was just
21 wondering how long that lag was typically.

22 MR. D. GUTIERREZ: Yes, Daniel Gutierrez,
23 the time lag that we see is between three and six
24 months.

25 MR. FETZER: Three to six months. And would

1 it be the same, is there a similar time lag for
2 declines in raw material costs?

3 MR. D. GUTIERREZ: Yes.

4 MR. FETZER: Thank you. And I also invite
5 Petitioners to address whether there's a time lag in
6 their pricing for raw material costs in their post-
7 hearing brief. Staff has no further questions.

8 MS. HAINES: Not yet. Elizabeth Haines,
9 Office of Investigation. We will have a few
10 additional questions, but we will email them to
11 counsel for your post-hearing brief. Thanks.

12 CHAIRMAN OKUN: Thank you for those. We
13 turn to those in support of imposition of duties to
14 see if you have questions of this panel. Mr. Waite
15 indicates they have no questions for this panel.
16 Well, before I turn to the time remaining and we go to
17 closing statements and rebuttal. I wanted to take this
18 opportunity again to thank this panel of witnesses
19 very much for your testimony this afternoon and for
20 answering our questions and your continued
21 cooperation. It really is the end of a long week.
22 I'll let you guys talk from now on. So, thank you
23 very much.

24 We'll give everyone a couple minutes to let
25 these witnesses go back and then I will -- let me just

1 go over the time remaining. Petitioners have a total
2 of 11 minutes, 6 minutes remaining from direct, 5 for
3 closing. Respondents have a total of 16 minutes, 11
4 from the direct presentation, 5 for closing. If
5 counsel has no objection, we would just combine
6 closing and rebuttal and proceed in that fashion.
7 Okay. Well, then let's take two minutes to shift
8 around.

9 Mr. Secretary?

10 SECRETARY: Will the room please come to
11 order?

12 CHAIRMAN OKUN: You may proceed.

13 MR. WAITE: Thank you, Madam Chairman,
14 Members of the Commission and thank you for your
15 patience and your attention throughout this hearing
16 and particularly the attention and the courtesies you
17 extended to the panel of domestic industry witnesses
18 this morning.

19 I have a number of comments I'd like to
20 make, and they will not be in any particular order.
21 We will address our comments to you in a much more
22 orderly and organized way, of course, in our post-
23 hearing submission. But there are a number of points
24 I'd like to make while they are still fresh in
25 everyone's mind and also some points of clarification.

1 And I will try to do all of this in considerably less
2 than 11 minutes.

3 We have discussion of the causal link
4 between subject imports and material injury to the
5 U.S. industry. I just wanted to make the point that
6 while trends in various financial and trade data
7 criteria can often be informative, we do have a case
8 where the base period of this investigation is the
9 year of the deepest economic disturbance in the
10 current history of the United States, at least since
11 the Great Depression, so many of the trends with which
12 we are all normally familiar in these cases, may not
13 be as apparent.

14 I would also point out that the statute
15 talks about the presence of price effects, the
16 presence of volume effects on the U.S. industry, on
17 the market, not necessarily trends. So, I think
18 there's a way for the Commission to examine this very
19 unusual record, just like records of the other four
20 cases you may have seen in the last two weeks may have
21 similar characteristics.

22 I would make the point that the U.S.
23 industry could not pass on price increases that one
24 might normally see when raw material costs are
25 increasing, and the market overall is improving in

1 terms of demand, because of the presence of unfairly
2 priced imports. And these imports were deeply
3 unfairly priced. The Commerce Department, as I
4 mentioned in my opening statement found dumping
5 margins between 21 and 37 percent on Mexico, and
6 combined dumping and countervailing duty margins that
7 are simply astronomical for China, 213 percent to 458
8 percent.

9 The witnesses for Deacero, I thought were
10 extremely forthcoming in describing to you the reasons
11 for their company's decision to place a galvanized
12 production line in Texas. There wasn't much
13 discussion on the record, I suppose, because it is
14 considered proprietary about the nature or size of
15 that production line. Market intelligence informs the
16 members of the U.S. industry that just one galvanizing
17 line is being assembled in Texas, and from their
18 experience, that is not nearly enough capacity to
19 offset the amount of imports that have been coming in
20 from Mexico over the recent years and certainly the
21 period of investigation.

22 You also heard testimony about the alleged
23 unwillingness of U.S. producers to sell to U.S.
24 purchasers. And there was some comment that this kind
25 of anecdotal information may be of limited utility. I

1 would submit that it's of particularly limited utility
2 when it comes from a company that sources 100 percent
3 from imports, and a company that I don't believe
4 submitted a questionnaire response, so it's very
5 difficult for us to put their comments into any kind
6 of meaningful context.

7 There was also testimony at the staff
8 conference with regard to shipments of galvanized wire
9 to a company that is now affiliated with Deacero.
10 It's Stay-Tuff, the fencing manufacturer in Texas, and
11 I would simply point out that Stay-Tuff had been
12 supplied by U.S. production until Deacero displaced it
13 when it purchased the company.

14 There was a number of comments about the
15 importance of multiple sourcing or diversity of
16 sourcing, and I would merely echo what a number of you
17 have said, and that is, that may be an issue when you
18 have only one or two or even three domestic suppliers.
19 Here, you have at least eight domestic suppliers of
20 galvanized steel wire, and many of them are very
21 significant producers with very large capacities. I
22 also would like briefly to clarify the record, and I
23 don't think this was intentional when one of the
24 respondent's witnesses stated that Mr. Weinand from
25 Oklahoma spoke about his imports from China. That was

1 actually Mr. Cronin. Mr. Weinand testified that he
2 had just one import experience in 2010. And that was
3 to meet special circumstances for his company. He
4 explained that in detail. I need not go into that.
5 Mr. Cronin did address his reasons for importing from
6 China, and you may recall he talked about a make or
7 buy decision. It's not a question of availability.
8 It's not a question that he couldn't have made the
9 product here or even have sourced it. The question
10 was the pricing of the product and his need to be able
11 to offer that product as a range of products that he
12 sells to his customers at a competitive price in order
13 to maintain his market position.

14 Now, I would like to turn even more briefly
15 to the separate-like product issue, which, quite
16 frankly, I see as more of a scope exclusion request
17 issue. It seems to me, and I believe the testimony
18 today confirmed that the concern of Camesa/WireCo is
19 for galvanized steel wire that is used in wire rope
20 applications. You know, there was wire rope
21 galvanized wire. And the cut off of .64 percent as we
22 discussed earlier in the morning, is not an industry
23 recognized cutoff. In fact, there's really no
24 industry recognized cutoff. Different companies see
25 different mixes and different chemistries as falling

1 into just generally low carbon, medium carbon and high
2 carbon products.

3 I would also clarify that Mr. Weinand did
4 state in response to a question that his company does
5 produce .65 percent carbon content galvanized steel
6 wire, which is above the threshold that Camesa offers.
7 And that he uses the same equipment and the same
8 production processes to make that product as to make
9 his low carbon galvanized steel wire.

10 Finally, also with regard to the high
11 carbon, low carbon issue, Vice Chairman Williamson
12 asked whether the Commission had had any experience or
13 addressed this issue in any other context, and,
14 indeed, you have, and interestingly enough, on a
15 product that marries almost perfectly with galvanized
16 steel wire and that is carbon and other alloy steel
17 wire rod. The basic raw material from which
18 galvanized steel wire is made. And starting in the
19 late '90s, and I think as recently as 2006, we'll
20 provide this in our post-hearing submission, the
21 Commission has determined that wire rod, again, which
22 is used to make carbon steel wire, and when you make
23 the carbon steel wire, you can't change the chemistry.
24 It's what comes from the carbon steel wire rod, that,
25 that's a product that's on a continuum, as we

1 discussed the carbon steel -- as we discussed
2 galvanized steel wire, and the Commission declined to
3 make any differentiation between high carbon, low
4 carbon -- high carbon, medium carbon or low carbon.
5 It was considered one entire-like product. I thank
6 you very much. And that concludes my comments.

7 CHAIRMAN OKUN: Thank you. All right, you
8 may proceed.

9 MR. CAMPBELL: Good afternoon again,
10 Commissioners. Thank you again for your time today.
11 I wanted to discuss the main point in this case or
12 start with that, causation, the main issue in this
13 case. Again, the Petitioners, all they really point
14 to is a temporal nexus. Subject imports were present
15 in the market and that must be the reason why we're
16 unprofitable. But, as the commission knows, it's not
17 enough. You can't just show a temporal nexus. You
18 have to show causation.

19 In this case, not only have the Petitioners
20 failed to put forth affirmative evidence showing a
21 link between subject imports and the U.S. industry's
22 performance. We have the opposite in this case. We
23 have affirmative evidence of counter trends, of a lack
24 of correlation between the subject imports performance
25 and the subject imports. And this information --

1 these counter trends require a negative injury
2 determination.

3 I haven't heard any real response to the
4 arguments we put forth in our pre-hearing brief
5 demonstrating the counter trends that are observable
6 with respect to price suppression and with respect to
7 the industry's profitable during the POI. The most
8 I've heard came from Mr. Waite just now in closing,
9 pointing to the fact, conceding that, yes, you know,
10 counter trends provide strong evidence in many cases.
11 But this case is different. This case begins with
12 the year 2009 as the base here, a deep recession.
13 Well, that is true, but, okay, let's not limit ourself
14 to beginning with 2009.

15 We do have information on the record that
16 begins with 2008, and I submit that if you look at any
17 trend from year to year, 2008, 2009, 2009, 2010, 2010,
18 2011; you will see clear counter trends between the
19 U.S. industry's profitability and the volumes and
20 prices of subject imports. And this information
21 demonstrates a lack of a causal nexus and requires a
22 negative injury determination.

23 Next, I'd like to discuss captive
24 consumption. This is a very significant condition of
25 competition in this case. A large portion of the U.S.

1 industry's production is internally consumed or
2 transferred to related parties. And there is
3 Commission precedent, and, again, we will cite these
4 cases and discuss these cases again in post-hearing,
5 but there is Commission and precedent where in cases
6 with facts such as this where a large portion of the
7 domestic industry's production of the domestic-like
8 product is consumed internally for downstream
9 production that the Commission should also looks to
10 the U.S. industry's performance in the commercial
11 market, which is where head-to-head competition
12 occurs.

13 And it's notable in this case that all of
14 Petitioner's arguments today, in terms of price
15 effects, and in terms of impact, they're focused on
16 the total market. They don't want to go to the
17 commercial market. I haven't heard any arguments
18 about the commercial market. Why is that? It's
19 because the U.S. industry is profitable in the
20 commercial market, and that's where head-to-head
21 competition occurs with subject imports. Again, that
22 provides further evidence of a lack of causation
23 between the subject imports and the U.S. industry's
24 performance.

25 I'd also like to discuss, so at the end of

1 the day, the fact that the U.S. industry consumes a
2 large portion of its production of domestic-like
3 product, we submit is a factor that insulates or
4 limits competition between subject imports and the
5 domestic industry's performance. And then again, even
6 within the commercial market where there is head-to-
7 head competition, we've sited examples in our pre-
8 hearing brief, and discussed a little bit more today
9 factors that demonstrate other reasons why -- non-
10 price reasons why U.S. purchasers purchase or require
11 subject imports, including the need to diversify
12 supply, the instances when U.S. producers are unable
13 or unwilling to satisfy quantity or the quantities of
14 product required or the specifications and the act in
15 this market, oftentimes a U.S. purchaser of galvanized
16 wire, would actually be competing with its U.S.
17 supplier in the downstream market and for that reason
18 is reluctant to purchase from a U.S. supplier.

19 So, we've discussed all those reasons, but
20 we learned a new one today from the Petitioners', and
21 they testified today that, well, the reason we're more
22 profitable in the commercial market, is because in
23 that market, the U.S. producers are also producing
24 these higher value added niche products that subject
25 imports aren't competitive in. Well, not only does

1 that give us another explanation for the limited
2 competition and the lack of correlation you observed
3 between subject imports and the domestic industry's
4 performance, but it completely contradicts what
5 they've been saying all along about how all imports --
6 imports from any source and the domestic-like product
7 are interchangeable, interchangeable. Well,
8 apparently not, because the U.S. Petitioners today can
9 see that they're actually making these higher value
10 niche products where we don't see any subject imports.

11 All right. Let me go quickly through --
12 I've already addressed volume. I'm not going to touch
13 that again. On price, I would like to add a couple
14 points. The Petitioners' did not argue price
15 depression in their pre-hearing brief, but Dr. Magrath
16 argued it today. Again, we submit there's no evidence
17 of price suppression or excuse me, price depression
18 and suppression, but I'm talking about depression.
19 There is no evidence of price depression in this case.
20 It gives a very distorted picture to start from the
21 first quarter of 2009 and to start from there and look
22 at the trend in the U.S. producers' prices.

23 The fact is that from the first quarter of
24 2009, prices were still declining from the peaks from
25 2008 when demand was so strong. If you start from the

1 second quarter of 2009, there's a clear upward trend
2 in U.S. producers' prices over the POI and that
3 demonstrates that there were not significant price
4 depression effects.

5 I think on price suppression, I think I've
6 talked about this enough, but, again, whatever period
7 you look at 2008 to 2009, 2009 to 2010, 2010 to 2011.
8 There is a lack of correlation between the subject
9 imports, volumes and market shares and the U.S.
10 industry's performance. Again, we submit there is no
11 evidence that subject imports were a significant cause
12 of price suppression.

13 I'm going to end with threat. And I will be
14 quick. Again, we submit there are very strong grounds
15 to decumulate, in this case. The main one is that
16 there is now a clear -- the U.S. industry -- I'm
17 sorry, the Chinese industry and the Mexican industry,
18 which is represented, for the most part by Deacero,
19 have different incentives in terms of shipping to the
20 -- exporting to the U.S. market.

21 With Deacero's investment in production in
22 Houston, clearly, that affects their decision making
23 and they've testified today that they will be reducing
24 their exports to the United States in significant
25 fashion. The Chinese industry doesn't have this same

1 incentive.

2 There is also the fact that the Chinese
3 industry compared to Mexican industry is huge with
4 tons of capacity and they export a ton, and Dr.
5 Magrath's slides demonstrate or one of his slides
6 demonstrates this very powerfully. With the lower
7 volume, there is, of course, given -- once you
8 decumulate, given that there is going to be a
9 dramatically lower volume of imports from Mexico, it's
10 clear that the Mexican imports do not pose a
11 significant threat.

12 On my last point on this is that Mr. Waite
13 discussed today the fact that part of the decision
14 making for Deacero, their calculation for investing
15 and setting up production in Houston was because of
16 the possibility of potential anti-dumping liability.
17 We've been candid about that, but the fact remains
18 that this Houston production is here and it's here to
19 stay. So, regardless of the reason or one of the
20 reasons, because certainly the anti-dumping --
21 potential anti-dumping liability was not the only
22 reason.

23 Regardless of the reason for why Deacero now
24 has production of galvanized wire in Houston, the fact
25 remains it does, it's here to stay, they're going to

1 be using it to service their U.S. affiliates and U.S.
2 customers, and it eliminates any threat of injury from
3 subject imports from Mexico. Thank you.

4 MR. CAMERON: Very quickly, on behalf of
5 Wireco. Don Cameron, we will respond to counsel's
6 rebuttal in our post-hearing brief. We just wanted to
7 make one point, with respect to the fact that it is
8 clear from today's testimony that we were, actually,
9 asking for a scope exclusion. Actually, we're asking
10 for a like product. The like product that we are
11 suggesting is 0.64 carbon content and above as a
12 separate like product, high carbon galvanized steel
13 wire.

14 And I thought that was pretty clear from our
15 testimony, but in case it wasn't, we wanted to make
16 that clear to the Commission and we will respond to
17 the rest in our post-hearing brief. We'd like to
18 thank you for our patience. Sounds like you've had a
19 long week. Sorry about that, but we're all in this
20 together, right? So, thanks.

21 CHAIRMAN OKUN: Thank you very much. Post-
22 hearing briefs, statements responsive to question,
23 requests to the Commission and correction to the
24 transcript must be filed by March 29, 2012. Closing
25 of the record and final release of data to parties is

1 April 16, 2012. And final comments are due April 18,
2 2012. With no other business to come before the
3 Commission, this hearing is adjourned.

4 (Whereupon, at 4:30 p.m., the hearing in the
5 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION**TITLE:** Galvanized Steel Wire From China and Mexico**INVESTIGATION NO.:** 701-TA-479, 731-TA-1183, 1184**HEARING DATE:** March 22, 2012**LOCATION:** Washington, D.C.**NATURE OF HEARING:**Hearing

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

DATE: March 22, 2012

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: Rebecca McCrary
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: W. Andre Bellamy
Signature of Court Reporter