UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	Investigation Nos.:
	)	701-TA-472
CERTAIN STANDARD STEEL	)	731-TA-1171-1172
FASTENERS FROM CHINA AND	)	(Preliminary)
TAIWAN	)	

REVISED AND CORRECTED TRANSCRIPT

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Wednesday,
October 14, 2009

Courtroom B
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, GEORGE DEYMAN, Supervisory Investigator, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

GEORGE DEYMAN, SUPERVISORY INVESTIGATOR
JOSHUA KAPLAN, INVESTIGATOR
MARY JANE ALVES, ATTORNEY/ADVISOR
ELIZABETH DUALL, ATTORNEY/ADVISOR
GERALD BENEDICK, ECONOMIST
JOHN ASCIENZO, AUDITOR
GERALD HOUCK, INDUSTRY ANALYST

APPEARANCE: (Cont'd.)

In Support of the Imposition of Antidumping and Countervailing Duties:

On behalf of Nucor Fastener:

TOM MILLER, Vice President and General Manager,
Nucor Fastener

J.J. MCCOY, Controller,
Nucor Fastener

JIM WITUCKI, Sales Manager,
Nucor Fastener

JIM GIALAMAS, Technical Services Director,
Nucor Fastener

DAVID AMAN, National Sales Manager,
Sems & Specials

ALAN H. PRICE, Esquire
DANIEL B. PICKARD, Esquire
ADAM GORDON, Esquire
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Washington, D.C.

In Opposition to the Imposition of Antidumping and Countervailing Duties:

On behalf of Bossard North America, Earnest Machine Products Co., Fastener Co., Fasteners and Automotive Products, LLC, Heads and Threads International, The Hillman Group, Indent Metals, LLC, Porteous Fastener Co., Soule, Blake & Wechsler, Inc., Stelfast, Inc., and XL Screw Corp.

BARRY PORTEOUS, President,
Porteous Fastener Company

MICK HILLMAN, CEO,
The Hillman Group

STEEN HANSEN, CEO,
Bossard North America

APPEARANCE: (Cont'd.)

On behalf of Bossard North America, Earnest Machine Products Co., Fastener Co., Fasteners and Automotive Products, LLC, Heads and Threads International, The Hillman Group, Indent Metals, LLC, Porteous Fastener Co., Soule, Blake & Wechsler, Inc., Stelfast, Inc., and XL Screw Corp.

STEVE SCHONHOLTZ, President
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MATTHEW T. MCGRATH, Esquire
STEPHEN W. BROPHY, Esquire
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Washington, D.C.

On behalf of Chun Yu Works & Co., Ltd. and Chun Yu Works (U.S.A.) Inc.:

DAN LEE, Project Manager
Chun Yu Works (U.S.A.) Inc.

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

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. DEYMAN: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of countervailing duty investigation No. 701-TA-472 and antidumping investigation No. 731-TA-1171 and 1172 concerning imports of certain standard steel fasteners from China and Taiwan.

My name is George Deyman. I am the supervisory investigator assigned to the investigation and I will preside at this conference. Among those present from the Commission staff from my far right are: John Ascienzo, the auditor; Joshua Kaplan, the investigator; Elizabeth Duall, the attorney/advisor; Mary Jane Alves, the attorney/advisor; Gerald Benedick, the economist; and Gerald Houck, the industry analyst.

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

Are there any questions?

(No response.)

MR. DEYMAN: If not, welcome, Mr. Price. Please proceed with your opening statement.

MR. PRICE: Good morning, Mr. Deyman and Commission staff.

First, I would like to start this morning by expressing my thanks to the staff for all of their work to date and for the work that is yet to be done. This investigation may require more effort by the staff than a normal preliminary. This is due, in part, to the fact that the Commission has not previously examined the standard fastener industry.

This case is also complicated by the lack of clean HTS categories and the enormous and extremely fragmented nature of the Chinese and the Taiwanese fastener industries. The lack of clean HTS categories makes it difficult to obtain meaningful foreign production and import data in the absence of comprehensive questionnaire responses from foreign producers and importers.

Unfortunately, many of the questionnaires that have been submitted to this Commission may have been tainted by a well organized effort by a Taiwanese producer. We know that written bullet points were

circulated to importers by e-mail by a Taiwanese producer along with a suggestion, to quote it, "Don't trust U.S. Government officials to think this through properly."

I would note that the Commission has previously looked with disfavor on efforts to coach customers, especially when it concerns written suggestions to respond.

The first legal issue that I'd like to address concerns the domestic like product definition. The domestic like product should be defined co-extensive with the scope. This case focuses on standard fasteners. These type of fasteners include structural bolts, cap screws, tension control assemblies and nuts. These fasteners do not include the types of merchandise that typically go into automotive and aerospace manufacturing. Automotive and aerospace fasteners are different products, and this distinction is acknowledged by the producers and consumers alike.

In fact, the Industrial Fastener Institute, which is the industry's leading trade association, has three divisions: industrial, which essentially is the standard fasteners; automotive; and aerospace.

Second, with respect to the domestic

industry due to the injurious effects of subject imports over a very sustained period of years there are far fewer players and producers today than there were several years ago. The industry is now composed of only a handful of producers with Nucor by far being the largest.

Third, imports from China and Taiwan should be cumulated. In fact, we will provide evidence of cross-ownership in our post-conference briefs, demonstrating that Taiwanese producers control certain producers in China, and there is evidence that demonstrates that the Taiwanese also own significant distribution interests in the United States.

The nature of these products also supports cumulation. The covered merchandise meets consensus standards and is typically sold into general distribution. There should be very little doubt regarding whether there is a reasonable overlap in competition. As you will hear today, the major distributors have traditionally sold both domestic and imported merchandise.

Fourth, the evidence collected will show, and the domestic industry witnesses will testify that subject imports have competed aggressively for market share and that they have been doing this on the basis

of price. Indeed, as one of Mr. Connick's clients said in writing to its customers outside the context -- - actually Mr. McGrath's clients said to his customers outside the context of this investigation, While customer service and quality consideration were important, the most important competitive factor -- I'm going to quote here "selling product at the lowest possible price." The domestic industry is getting beaten up by dumped and subsidized subject imports.

This case is not being filed at the first signs of the injurious effects from imports, but when the industry is on the verge of extinction. As in other cases that the Commission has seen, imports originally came in at the lowest quality levels of the commodity product, frequently referred to as Grade 2s. Grade 5s are the next rung of the quality ladder. As Chinese and Taiwanese Grade 5s gained market share, U.S. producers began to go out of business. Grade 8s are the last major area of the standard fasteners market where the U.S. producers maintain decent share. However, this position is now being threatened as imports target the Grade 8 market. Without quick action the Grade 8 market will go the way of fives and twos and the U.S. industry will be gone.

Fifth, the Commission should consider not

only the material injury that the U.S. industry has already sustained, but the further threat of material injury. It is clear that imports are poised to increase and to continue their market share gains, and to further continue to erode the profits, production, sales and employment of the U.S. industry.

Six, but for the unfair imports the domestic industry would have been doing materially better. How could dumping margins in excess of 70 percent in a commodity product fail to cause injury?

Finally, it's obvious to all of us that we are in a down economy, the Great Recession, whatever we want to call it. But in that market dumped and subsidized imports are even more injurious. In tough markets competition is fiercer and the harm from unfairly priced imports is even more painful as capacity is chasing a smaller market. Thank you.

MR. DEYMAN: Thank you, Mr. Price. Mr. McGrath.

MR. MCGRATH: Good morning, Mr. Deyman, and members of the staff. I am pleased to be here. I am Matt McGrath of Barnes Richardson & Colburn. I'm representing today a coalition of importers and distributors. I'll introduce the individuals when it comes time for us to testify. They are importers of

both subject merchandise and of other fasteners and hardware products. The subject merchandize will the subject of a lot of further discussion, as I'm sure.

One of the drawbacks of handling a case and presenting a comprehensive presentation to you at this point is that we don't have a final statement of what the scope of this investigation is just yet. It has changed twice since the petition was filed. We've done our best to respond to the questionnaires and provide data along the lines of how we understand the scope to have been described at the moment we did the questionnaire responses. That did change, so we will be talking about that in our testimony.

We submit that there is no reasonable indication of material injury or threat of material injury to the domestic fastener industry, however that industry is defined. Both public data and questionnaire submissions will bear this out.

First of all, I would like to point out that there are two very important like product distinctions that we will make and we will support with testimony here today.

One, that we submit that the Commission should find separate like products for fasteners made to OEM part numbers versus other subject merchandise.

The Petitioners have made a strong case in separating automotive and aerospace part number fasteners and excluded them from the scope of this petition in the last version of the description that was submitted last week.

We submit that we will demonstrate that other OEM manufacturers and fasteners made to other OEM part numbers, not just automotive and aerospace, fit all of the same six criteria for differentiation and should be determined to be a separate like product and analyzed separately from all other fasteners.

Secondly, we submit that the Commission should find there to be separate like products from the low carbon commercial fasteners versus medium and high carbon and alloy fasteners which are stronger and made to different specifications.

This distinction is also supported under the traditional six criteria that you analyze for determining like products, and we will discuss those as well in our testimony. We have members of the industry who are in both market segments and will be talking about them individually.

We submit that there is no reasonable indication of injury here, however the industry is defined, because the data demonstrate otherwise.

Subject imports, you will find, have simply followed the market in all respects in this extraordinary economy, with gains in average unit value, some tonal value in some categories, and gains in volume during the demand expansion of 2006 to 2008, something experienced by everyone in the market, including Nucor. Increased steel input costs in 2008 reflected in higher fastener prices for both domestic and imported fasteners, and the decline in demand with the recession in 2009. This is a factor everyone has lived with.

Nucor's experience followed very much the same pattern. In fact, this company's financial performance was strong by any measure. It has been depicted as being on the verge of extinction. When you take a look at their data, I think you're going to conclude otherwise. In fact, one is going to wonder why the argument is being made that the company is almost gone. It encountered the same recession that struck all manufacturing and construction sectors in 2009, and continues to deal with recovering from that just as importers and all other producers.

Nucor has based an allegation of injury here on increased import values in a single HTS U.S. basket category which simply reflected increased steel costs

and ignored import declines in certain other categories. We have a number of categories, when you look at HTS data, that show declines in imports. They've based it on a drop in sales. It simply mirrors the drop in demand and import decline this year, and they've based it on an unsupported allegation of lost market share, which is demonstrable incorrect.

The fact is, as we'll demonstrate, that Nucor, which is a relatively smaller supplier in the market and only supplies a portion of what they seek to cover in the scope definition in this investigation, is unable to demonstrate any causal relationship between imports and their current condition.

Finally, we will argue that there is no threat of injury posed by the subject imports. The Taiwan industry is here today to testify to their declining production and exports to the U.S., their growth in alternative markets, and their decline in inventories, eliminating much of what is purported to be threat to the domestic industry, but it does not exist.

The facts of this case will support segmentation of the like products as I've suggested

and a negative finding in this investigation, and we look forward to presenting our witnesses and our testimony. Thank you very much.

MR. DEYMAN: Thank you. Those in support of the imposition of antidumping and countervailing duties please come forward.

Mr. Price and Mr. Pickard, please proceed.

MR. PICKARD: I'd like to start off by introducing Mr. Miller. Tom.

MR. MILLER: Good morning. My name is Tom Miller. I am Vice President and General Manager of Nucor Fastener in St. Joe, Indiana. I've been with Nucor Fastener for four and a half years, and in the steel industry for 10 years in all.

The products subject to these investigations are standard cap screws, bolts, structural bolts, tension control bolts and nuts. These products are used in applications such as nonresidential construction, bridges, heavy trucks, and for farm use. They are made to standard specifications such as ASTM. They are physically standardized and interchangeable and can be used in any number of applications. Because they are so standard, they are usually sold through distributors who can then offer them to any number of customers for any number of uses.

These investigations do not cover certain other fastener products that are more specialized, including stainless steel fasteners and automotive and aerospace fasteners. These latter products are made to customer supply specifications, most of which are patented or otherwise proprietary. The specialty fasteners may or may not meet ASTM specifications for standard fasteners. These nonstandard fasteners often require additional processing beyond the processes used for standardized merchandise.

For example, they may require special testing, quality controls or the addition of proprietary or patented features. As a result, specialty fasteners are generally sold differently than standard fasteners.

In particular, specialty fasteners tend to be sold directly to OEMs for specific applications and are higher priced due to the additional specifications and processing associated with specialty goods. Standards products, on the other hand, are typically sold to distributors, including master distributors, for use in buildings, heavy trucks, bridge construction, maintenance and repair operations and similar applications.

Nucor entered the standard fastener business

in 1986. At that time it looked like an industry full of promise. Nucor worked hard to produce quality fasteners for a growing customer base. In fact, Nucor is now the largest producer of standard fasteners in the United States. What nobody foresaw when we started making fasteners over 20 years ago was how devastating the onslaught of imports from China and Taiwan would be to the U.S. market.

When we began the production in the 1980s we were focused, like most U.S. producers at the time, on Grade 2 fasteners because this was the most common grade of fasteners sold. Even though we still make those fasteners, we don't sell very much. The Chinese and Taiwanese imports have almost completely captured that portion of the market.

After they took over the Grade 2 market, they started to target the higher value Grade 5s. When they had taken a significant portion of the Grade 5 market, many of the U.S. producers that Nucor competed with back in the 1980s started going out of business. Vermont Fastener is gone and Reliant Two. Even we had to shutdown our Conway, Arkansas, facility, and this was a tough decision given the pride that Nucor takes in not shutting down plants, but there was no way to keep the plant open in the

face of Chinese and Taiwanese competition. All told, there were over a dozen of the domestic producers who were in our business when we started are no longer here. Rather than trying to compete with product from Taiwan and China some remaining producers have even started to import, something Nucor will not do.

How did we get to this point? It's simple -- price, the prices that Chinese and Taiwanese producers offer in this country. I have walked through Chinese fastener plants. I saw everything from the most primitive production processes possible, with acid pickling operations done in unlined pits in the ground, to factories with state-of-the-art technology. They have access to cheap steel subsidized by their government.

In the case of China, the government builds them new plants and provides them capital to expand their operations, and there are easily over 1,000 producers of standard fasteners in China and Taiwan. Their quality is on par with U.S. products and their prices just stay unrealistically low. In spite of rising global steel energy and raw material prices, the prices of Chinese and Taiwanese fasteners in the U.S. market remain at unbelievably low prices, dragging the entire U.S. market down, preventing

domestic manufacturers from recouping these increased costs.

It appears that they are interested in only one thing -- increasing market share and putting domestic producers out of business.

Given the constant downward pressure from the Chinese and Taiwanese pricing, Nucor Fastener and other U.S. producers have been dropped by major distributors such as Heads & Threads. In order to keep other business we have had to reduce our price list twice just this year and offered other customers substantial discounts off of our book pricing just to keep a portion of their business and try to prevent them from replacing us with Chinese or Taiwanese imports.

In one case a customer who was getting a large discount told us that they were going to replace some of our product with Taiwanese imports anyway. Another major customer with whom we had an established contract for a large package of products came back to us in the middle of a contract term and said he wanted to re-source some of our business to China. He provided us with the price he was getting, and we lowered ours to just above our variable costs. He went with the imported fasteners anyway.

Everyone in the industry knows that this is happening, including the guys who will be testifying this afternoon. They've benefitted from it. They've been able to push down prices and keep them down. Import prices are right on the table when we negotiate with distributors, and those rock bottom prices establish the baseline of what distributors are willing to pay regardless of how much it actually costs to make standard fasteners.

The Chinese and Taiwanese imports have already chased most of U.S. producers out of the market for Grade 2 and Grade 5 fasteners, and they are hard at work capturing the market for Grade 8s. They can offer distributors prices that in some case won't even cover our cost for input steel. This was already a big problem back when the economy was booming. In a bad economy it's catastrophic.

As my colleague J.J. McCoy will tell you shortly, it's had particularly negative effects for Nucor's production and pricing, our ability to invest in new technology, and most importantly, our workers' livelihood. Without relief there soon won't be any producers of standard fasteners left in the United States. Everything will be imported. Any remaining U.S. production will be significantly downsized and

moved over to specialty products. The industry we started out in will be gone.

Thank you for letting me speak with you today about the U.S. standard fasteners industry. I'll be happy to answer any questions you may have.

MR. MCCOY: Good morning, my name is J.J. McCoy and I'm the Controller at Nucor Fastener.

I've been in the fastener industry for seven years and all of that time has been with Nucor. In the seven years I've been working at Nucor I've watched Chinese and Taiwanese imports and their effects on the market with keen interest. As Tom told you, the market we have today is not the market that Nucor started out in.

By the time I came on board in 2002 imports had already chased out U.S. producers out of the Grade 2s and were beginning to dominate the Grade 5s. Other U.S. producers started going out of business. Vermont Fasteners, Reliant Bolt, others like Rockford Products and Lake Erie Products have been put against the ropes.

Nucor has always been a smart, lean competitor, and has survived by providing a quality product, maintaining good customer relationships and through the hard work of our employees. But with the

Chines and Taiwanese imports continuing to take increasing market share across all grades of fasteners things aren't looking good. We are being affected across the board in production and pricing, and our ability to maintain and improve our product and in being able to provide work for our employees, many of whom have been with Nucor Fastener for over 20 years.

Our production levels have fallen significantly since last year. We've been down to running 16 hours a week this year, with 16 to 24 being the average. We're having an increasingly hard time maintaining our accounts, even with long-time customers. We've reduced our price list twice this year and we've been offering unprecedented discounts, but import price quotes keep getting lower and as a result there is more and more subject product coming in.

We are seeing subject product from China and Taiwan in the U.S. for roughly $1,000 a ton, delivered to distributors' docks. So after $200 a ton freight costs borne by Asian producers, they aren't even covering the cost of raw material in most case. So where is the cost of labor, equipment, maintenance, energy, administrative overhead, much less a desire to sell at a profit? How can they sell product at these

prices, or better yet, what is their motivation to sell their products well below their cost to manufacture? It appears to me they are exporting their unemployment to the U.S.

Due to the dumping by China and Taiwan, our capital expenditures are way down. There is a lot of equipment we'd like to bring on to improve and expand our production capabilities -- a new annealing furnace, a heat-treat furnace, that's not in the cards as we can't even charge our customers prices that cover our costs.

It's our workers who are being hit the hardest. As I mentioned before, we have been down to 16 hours a week this year, running 16 to 24 on average. We haven't let anybody go though. As you might imagine, St. Joe, Indiana, isn't exactly the easiest place in the world to find another job, particularly one that can pay what Nucor Fastener pays when production levels are good. We don't want to do that to the guys who have been out on the floor for years doing good work and believing in their product and their company. So we've brought our guys on for extra hours doing tasks like cleaning and painting just to help them pay the bills and buy groceries, but it's just not enough, and you can tell.

About 20 percent of our workers have come in over the last six months to get hardship withdrawals from their retirement accounts. These guys are just trying to keep their homes and the cars they drive to work in. Because we are losing so much business to China and Taiwanese imports, they have to cash in the money that they were counting on for their futures.

We have already seen the U.S. industry lose out on most of the Grade 2 and Grade 5 fasteners. Once the Grade 8s are gone, we might as well turn out the lights.

Nucor Fastener was founded to serve the standard market, and that's what we have done. We've done it well. We've survived where other U.S. producers were forced to shutdown or just import, but we're at the end of our rope. The economy is bad. Everybody knows that. But even in a bad economy significant quantities of imports are still coming in, taking work away from our guys on the floor, and forcing us to even bigger price reductions.

In the absence of Chinese and Taiwanese imports Nucor would be producing more fasteners, our workers would be working and earning more. The economy, as bad as it is, isn't the reason we're here today. We're competing with the Chinese and Taiwanese

producers for a very small pie, and they are getting most of it.

Nucor is pretty much the last man standing in the domestic industry, but at this rate we won't be standing for long. All we want is to compete on a level playing field. With our experience, quality, service, and efficiency, our Nucor Fastener teammates can get us back to growing and thriving for years to come; that is, as long as we're all playing by the same rules.

Thank you all for the opportunity to speak today. I'll be glad to answer your questions.

MR. AMAN: Good morning. My name is David Aman. I've worked in the fastener industry for over 30 years. During that time my work experience has included approximately 15 years in the fastener distribution segment, 15 years in the manufacturing segment, and two years as an independent sales agent. In the distribution segment, I spent eight of the 15 years as a materials manager, supporting customer sales in excess of $150 million per year. In the manufacturing segment, I was an owner of a small fastener manufacturing company for seven years. For the past two years I have been the national sales manager for Sems & Specials, Incorporated, a medium-

size fastener manufacture.

During my career, I've worked for distributors that purchased and resold fasteners, including those that are the subject of today's investigation. The distributors I've worked for over the years have purchased fasteners manufactured in the United States, China, and Taiwan. It is fair to say this applies to the majority, if not all, of the fastener distributors operating in the U.S. The single most important factor in purchasing these commodity products is price.

As long as the fasteners meet certain basic standards and pass an incoming inspection the distributors tend to buy from the producer who charges the lowest price. I have seen throughout my career that Chinese and Taiwanese fasteners are consistently priced lower than fasteners manufactured in he United States. At times the prices of Chinese and Taiwanese fasteners have been so low that they equal or are actually below the cost of raw material.

Chinese and Taiwanese-produced fasteners compete against U.S. domestically-produced fasteners for sales to the same distributors and end-users. In my purchasing experience with a major U.S. fastener distributor, it was common practice to re-source

product from a U.S. manufacturer to Chinese or a Taiwanese supplier in order to achieve a lower cost.

It is not uncommon in my current role to find that we are competing against Chinese or Taiwanese prices that in many cases are one-half of the prices we are quoting for domestically manufactured like product. In many case the domestic manufacturer has been relegated to a back-up role to support the import market.

I have been witnessing the American fastener manufacturing industry's struggle because of the import of foreign imports. Our industry has been under attack for over 20 years, and the results have gotten worse over time. I have personally seen the damage that low-priced Chinese and Taiwanese imports have caused to American producers of standard fasteners as well as other types of fasteners.

The impact of low-priced foreign competition has resulted in a significant loss of domestic manufacturing capacity that may never return as well as the jobs that support the industry. In fact, it is my personal opinion that the Chinese and Taiwanese producers are trying to run the American producers out of business altogether.

The foreign companies will be able to

completely manipulate the American fastener industry and charge whatever price they want for standard fasteners if that is accomplished.

Recently Chinese and Taiwanese companies have entered the U.S. supply chain with direct distribution outlets for the fastener products they produce. If imports continue at the same level and nothing is done to enforce the U.S. trade laws, I believe the Chinese and Taiwanese producers will succeed in taking over the American market for standard fasteners.

I fully support the action that has been initiated by Nucor Fastener Division. Thank you for your time and attention. I appreciate the opportunity to speak to you today about my experience, and will be happy to answer your questions.

MR. PICKARD: This is Dan Pickard from Wiley Rein. That concludes our direct presentation. We will be happy to answer any questions you have.

MR. DEYMAN: Thank you for your presentation. We will begin the questioning with Joshua Kaplan, the investigator.

MR. KAPLAN: Good morning, gentlemen. Thank you for your participation in our staff conference.

My first question is for Mr. Aman. Just

hearing your testimony, would you mind commenting or providing us some information on why Sems & Specials, your company, is there any particular reason for not purchasing these imported products if they are so much cheaper and everything else is the same?

MR. AMAN: Our company does procure less than 5 percent of what we sell from a foreign supplier. Our objective is to feed the horse that we have. You know, the manufacturing segment, there is a tremendous investment in the equipment. You've got people, you know. I mean, our objective is to be a domestic producer. There are opportunities where we can compete with blending some costs with some import product, and in some cases that's what it takes to successfully land a piece of business.

MR. KAPLAN: Thank you. Some more general questions now. We have received and I believe the Department of Commerce as well numerous letters from importers and distributors making statements related to the scope of the investigations. Of course, the scope has changed since the time these letters were written, but I would still like to see if I could get a comment from perhaps Mr. Price or Mr. Pickard regarding the fact or the allegations that Nucor is seeking to include fasteners in the investigations

that they do not have the capability to produce. If you could please explain to me if you believe that is true, and if so, why Nucor believes the U.S. industry is being injured by imported fasteners?

MR. PICKARD: Hi, this is Dan Pickard again.

The scope has changed a couple of times at the request of the Department of Commerce. But the focus of the scope has always been, or we've always attempted to draft the scope to be, is the heart of Nucor's business; basically structural bolts, cap screws, TC, tension control nuts, tension control assemblies and the nuts that go with them.

I would note also our concerns Mr. Price indicated in his opening statement that the Commission has looked with disfavor previously when Respondents had drafted, for lack of a better term, talking points, advising people how to respond to Commission questions. But in regard to the allegation that Nucor is purposely trying to cover products that it doesn't make or doesn't have the capability to make them is incorrect.

MR. KAPLAN: Thank you. Does your client have a position on what constitutes a modified standard fastener versus a standard fastener as it's defined here?

MR. PICKARD: And I can refer to Jim Gialamas who is probably a more product specialist, but I think standard versus nonstandard are probably more helpful terms than modified or specialty. The focus of this case is on standard products, the national consensus standards, and that reflects a small and shrinking industry, but a distinct set of producers who also belong to a separate division in their trade association. The other automotive or nonstandard producers, or aerospace producers, are distinct from this domestic industry.

MR. KAPLAN: Perhaps just a general explanation of the production processes involved here in producing these standard fasteners. It would be self-evident that a producer of a higher value fastener, perhaps a specialty fastener, would not want to switch into producing standard fasteners, but just for the purposes of full disclosure explanation here, would you mind explaining what would be involved in switching from the production of one type of fastener to another?

MR. GIALAMAS: Thank you. I'm Jim Gialamas, manager of technical services for Nucor Fastener Division.

The items that we've talked about as being

excluded from this subject material would be the aerospace and the automotive. A lot of that is relationship building, so to get into those markets you have to work directly with the final end customer. In fact, they are in your plant quite frequently. There is usually some additional equipment, some sorting equipment, more personnel, certainly different expectations. So it's a pretty high barrier to get into those markets.

Could you switch out and go into standards? I suppose you could, but there's a lot of investment in the facilities to go into automotive or aerospace.

MR. KAPLAN: Thank you. I know that both sides have touched upon this but perhaps we could get just a little bit more information or detail regarding to what extent might the alleged injury claimed by the Petitioner be attributed to the general economic condition that's been in place for the past several months or few years? If you could just elaborate more on that a little bit.

MR. WITUCKI: Good morning. I'm Jim Witucki, and I'm the national sales manager for Nucor Fastener.

Yes, we've all experienced a decline in our business with regards to the current economic

recession. I would actually say that quite to the contrary, it's actually exacerbated the situation even more greatly. With less business everybody is looking to eke out any opportunity for margin or trying to mitigate any loss. As a result, we're finding any existing business that's currently in the supply chain, that's currently being shopped even more aggressively, so the business that anyone has is being reviewed, being looked at, and being considered for re-sourcing, for any sort of price reduction or opportunity that may exist.

So although we're all experiencing a decline, our business that we have today is being shopped, and we have the option of either trying to lower our price to very unacceptable prices to retain business and/or risk losing that current volume to even further exacerbate our decline.

MR. KAPLAN: Thank you. This is going to be a question for counsel. Does your client have a position with respect to which source Commission staff should use for gathering data on trade-related information? Do you recommend the staff use questionnaire data, import statistics, or some sort of adjusted statistics? What position is being put forth?

MR. PICKARD: Well, it's a tough question because the HTS numbers are not clean with the exception of structural bolts. The others are large basket categories. There is no independent industry numbers that we've been able to identify that accurately tracks subject merchandise, and we're not sure what the questionnaire response coverage is going to be.

Normally, I think the preference for the Commission is to take a look at the questionnaire responses, but considering how large an industry it is in China and in Taiwan, you're aware there are over a thousand producers, we're not sure what the coverage is going to be with the questionnaires. So I think we're just going to have to wait and see what comes in.

MR. KAPLAN: Just a followup to that. You mentioned the sheer quantity of producers in China and Taiwan of the subject merchandise. Do you have any sense of how many of those are actually producing in any sort of sizeable capacity? I mean, are 900 of them mom and pop shops and the other 100 large? Do you have any sense of that?

Obviously, I can pose the same question to Respondents later on, but while you're up here maybe

perhaps you can provide a little information as well.

MR. PICKARD: Yes, I don't know if we actually have reliable data as far as how big. It's so numerous and it's so fractured. Obviously, we know who the largest producers are, but we can take a look at it. I don't know if I could tell you right off the top of my head that 75 percent I would characterize as being significant producers.

MR. KAPLAN: If you wouldn't mind perhaps in your postconference brief providing us with a little bit more information if you're able to gather it on that, we'd appreciate it.

Okay. Going to the question of cumulation, you've mentioned that you believe that the imports should be cumulated. Could you spell out or specify a little bit more, and again, you're welcome to do this in your postconference brief, the differences or similarities between the Chinese and Taiwanese markets.

MR. PICKARD: Sure, and we'll spell it out in our postconference brief, and we'll be happy to provide information now if you like, but I think it easily meets the traditional four factor test all the more so when you don't have two distinct industries. We now have evidence that there's cross-ownership.

MR. KAPLAN: Thank you. The Petitioner, in the subsequent exhibits provided to the Department of Commerce, they identify what are believed to be the known domestic producers of the subject standard fasteners. We, of course, are making our best efforts to gather, in terms of the domestic industry, as much relevant data as we can. Do you believe now at this point that list of I believe it was 12 or 13 U.S. producers provided in the most recent submission to the Department of Commerce, do you believe that to be pretty much comprehensive in terms of the standard fastener industry in the U.S. or are there any others that you think may come out?

MR. PICKARD: I think it's actually considerably smaller than the 12 list. I think you're talking about a handful of remaining U.S. producers of subject merchandise.

MR. KAPLAN: One question for Mr. Miller. You mentioned in your testimony there was some fastener distributor that Nucor was working with that then subsequently decided to go with the imported product irrespective of the price. Do you, and perhaps I just missed it, do you happen to know the name? If this is confidential, please feel free to provide it to us in your brief.

MR. MILLER: I would prefer to clarify that in the postconference brief.

MR. KAPLAN: Thank you. I have no further questions at this time.

MR. DEYMAN: Elizabeth Duall, the attorney/advisor.

MS. DUALL: Good morning. Thank you for being here today and answering our questions. I just want to follow up on a question that Josh asked. Do companies make both standard and the automotive aerospace fasteners at the same time, and is that common? If you could sort of elaborate on that. Does it use the same machinery, production lines, the same employees, if they would?

MR. GIALAMAS: It's very rare that somebody would go into an automotive or an aerospace market and standard structural fasteners or standard fasteners. I'm aware of maybe one domestic source that occasionally crosses that line, but it is very unusual. Typically, the fastener manufacturer is thought of as either an automotive manufacturer, an aerospace manufacturer or industrial or standards manufacturer of fasteners.

MS. DUALL: Okay. Thank you. The Petitioners, in the October 6 general issue submission

you talked about the distinct physical characteristics between the two. I wonder if you could elaborate on that. I'm not familiar with the product as much, so if you could educate me a little bit, I would appreciate it.

MR. GIALAMAS: And your question was specifically on?

MS. DUALL: The distinct physical characteristics of the automotive and aerospace fasteners as opposed to the standard.

MR. GIALAMAS: The primary difference is the market that you're going into and the means to market. The automotive input by the end OEM is much greater going into the fastener manufacturer. It's generally not sold directly through distribution. You're going specifically to the end user's specifications, his prints. They may or may not have special features, the different cross-threading, anti-cross-threading type threads or other features. The primary difference is the means to the market and the expectations from the end user.

MS. DUALL: So just to clarify, excuse me, the automotive and aerospace could meet standard specifications, and I understand that correctly, or no, they would not?

MR. GIALAMAS: They could. They may or may not meet the standard specifications also.

MS. DUALL: Okay. Just to follow-up. Are they imported under the same HTS numbers as the standard? Do you know?

MR. PICKARD: I don't think we know.

MS. DUALL: Okay. I wanted to ask a question about the actual or nominal diameter shank and thread definition. Are there fasteners being made in the U.S. by U.S. producers with an actual or nominal diameter shank or thread less than six millimeters, and, if those are produced, can you sort of elaborate on why the six millimeter is the clear dividing line?

MR. GIALAMAS: Six millimeter is the traditional dividing line between small machine screws, small screws and standard fasteners. There's even a distinction in the HTS codes of products that are below six millimeters and those that are above six millimeters, so it's the normal distinction line. When you get below six millimeters, they start talking in sizes 12, and not even in dimensional type numbers they'll say a size 12 fastener. So six millimeters is the traditional benchmark of the lower limit of standard fasteners.

MS. DUALL: Okay. Thank you. Can you sort of explain similarly, is that the same for the 32 at the upper end? Sorry. I was just going to ask if that was true of the 32 at the upper end of the scope.

MR. GIALAMAS: In fact, Mr. Aman also reminded me, the Fastener Quality Act did come out, it started at six millimeters also, so kind of another one HTS codes and also the fastener quality act. The 32 millimeters is the upper range for most cold forming equipment for cold form fasteners. It's about an inch and a quarter. When you get above about an inch and a quarter diameter you're typically looking at a hot forging operation, generally smaller volumes, a different operation than we have. We use all cold forming equipment in our externally threaded business. So that's why we bracketed it to the six millimeters to 32 millimeters.

MS. DUALL: I think you alluded to this somewhat but do you have any sense of how many domestic producers are importing merchandise from China or Taiwan?

MR. MILLER: I don't think we know for sure that number. We do know that there are at least one or two that we're aware of that are doing that, but I don't think we have any firm information on others.

MS. DUALL: Are you aware of any domestic producers that are related to exporters or importers of subject merchandise such that they would qualify as a related party under the statute?

MR. PICKARD: No, we're not.

MS. DUALL: Okay. Just a general question. Are you aware of any appropriate circumstances that would exist to exclude any U.S. producers from the domestic industry?

MR. PICKARD: I think it is possible that we could see once questionnaire responses come in that there could be reasonable grounds to exclude somebody from the domestic industry.

MS. DUALL: Are any of the U.S. producers integrated in the sense that they produce the wire rod or bar products that are used to make the fasteners, and are you aware if they're integrated in China and Taiwan?

MR. PRICE: Nucor obviously produces steel, so there is a steel supply relationship there. I believe that's the only one in the United States. As for China and Taiwan, I would say that that is an issue that we would say they would have to provide the information on.

MS. DUALL: What nonsubject countries are

the largest sources of imports into the United States, and can you sort of give me a little information about how those imports are compared to the imports in China and Taiwan and how large these production operations are in those nonsubject countries?

MR. WITUCKI: With regards to my experience in the last 23 years, though there are imports coming from other countries as well, really, predominantly the issues that we run into, the challenges that we face in the quoting process and trying to go out and get business and retain business is still predominantly China and Taiwan, so although there's a presence of others, they're either still in the developing stages or so small that they really don't come into play in a regular and ongoing basis so they're really under the radar relative to China and Taiwanese produced product.

MS. DUALL: Thank you.

MS. ALVES: Good morning. Mary Jane Alves. I'm also coming from the general counsel's office. This morning we heard some arguments that Respondents alluded to that they may be addressing more fully this afternoon with respect to OEM fasteners that are made for OEMs other than automotive and aerospace OEMs. I'd like some comments from perhaps Mr. Gialamas on

the validity of such an argument, and if you can give me a sense of how many of the other products are made to specific product codes for other OEMs.

MR. GIALAMAS: Certainly. The end user automotive has the specific perception difference and also requires generally zero part per million inspections so you have to do automatic sorting and lots of different things for the end user automotive. The rest of the items can go through general distribution. So if you're looking at heavy truck or some subcomponent manufacturer, it's still sold through general distribution rather than directly, with lots of involvement of the OEM manufacturer. So there's no barrier to input.

We talked earlier about the IFI having the three different distinctive groups: the aerospace, the automotive and the industrial. The rest would all be covered under the industrial designation of IFI standard distribution. Those parts are parts that we readily make very routinely, and they are held out to a consensus standard and meet consensus standards. It's equipment that we're very suitable to do. No barrier to entry if you want to look at going into an automotive, and having that perception and dictating your plant directly to the automotive manufacturing.

So the distinction is fairly sharp certainly in perception, but also, in reality, even in the way we're set up as an industry. You have the automotive manufacturers, the aerospace manufacturers and the industrial manufacturers. So we would look at anything that has a consensus standard that's not in either the automotive or aerospace to be a standard fastener.

MR. PRICE: Let me just jump in here and add something. There obviously are distinct differences in the manufacturing process. You need equipment because you have to have additional equipment for the inspections, you know, or a tolerance there, obviously perception, organization in business, different employees ultimately, different producers, et cetera, between the aerospace and automotive and the standard industry. The standard industry is essentially the industrial industry. The proposal by Mr. McGrath to say well, everything with OEM is somehow rather different, well, they were talking about essentially industrial fasteners here.

Industrial fasteners, by definition, ultimately all go into manufacturing in some small replacement part business that's probably out there and some small general distribution at the fringes of

it. Their essential conclusion is to essentially nullify that, you know, create a phantom like-product which ultimately swallows everything in it and says it's all, you know, one giant OEM market basically saying there's no automotive market, which makes no sense, there is no aerospace market, and he's basically saying there's huge like product here. The idea that there's an OEM product is this false, you know, sort of false dichotomy in his presentation.

MS. ALVES: Thank you, Mr. Price.

MR. AMAN: Could I follow-up with a comment on that?

MS. ALVES: Sure.

MR. AMAN: When I started in this industry, you know, the computer was not used to the extent that it's used today, the cell phone didn't exist, the internet didn't exist. The technology capabilities that are there today has tremendously enhanced the efficiency and the productivity of not only this industry, but every industry. In many cases you have OEMs that are buying product to their part number based on their ability to manage data in their system, but that product may also meet a consensus standard but just be defined by part number for convenience to them.

MS. ALVES: That's a fair point, Mr. Aman, although there was also some testimony this morning that it is also possible in some cases to use products that have been made to an aerospace or an automotive application in a standard application as well. What we're looking for here is a clear dividing line. I just want you to paint as clear of a picture as you can, perhaps in your postconference brief. You've alluded this morning to some differences in terms of manufacturing processes. If there's some shared manufacturing up front at the front end, which it appears that there might be similar equipment used at the front end but that there's additional testing or additional equipment at the back end for the automotive or the aerospace, that would be helpful to know.

It would also be helpful to know if that different equipment is or is not used to make other types of OEM products, however defined. It's a little bit difficult now to guess exactly what the nuances of the arguments that we'll hear this afternoon are, but if you could pay particular attention to those arguments and help us draw a clear dividing line one way or the other, explain why there isn't one when that's the case.

MR. PICKARD: This is Dan Pickard from Wiley Rein. We'll be happy to do that. We'll spell out in our postconference brief that I think if you apply the traditional six factors, you end up having a clear dividing line between the standard industry as compared to aerospace and automotive, and that application of the six factors wouldn't support what I think Mr. McGrath is going to be arguing this afternoon.

MR. GIALAMAS: Would it be okay if I clarified one other point? Generally you would not use an automotive part in a general application, so they aren't interchangeable if that came across that way. You would not take somebody making an automotive part and sell it in general industry. It's specific to an automotive part or aerospace also. Right.

MS. ALVES: On page 5 one of the other arguments that was alluded to this morning by Respondents pertained to so-called low carbon fasteners. Are you familiar with that term? What does low carbon fasteners mean to you? Is that what you were referring to this morning as your Grade 2?

MR. GIALAMAS: Yeah. Generally Grade 2s would be made with a lower carbon steel. They don't have the strength requirements of the Grade 5, or

Grade 8, or higher strength product, so they can be used on lower carbon steels, 1017, about 17 carbon, quite a bit lower carbon than a Grade 5, which is typically a medium carbon. It would be about .35 carbon. So it has about half the carbon content of Grade 5s or Grade 8s.

MR. MILLER: If I may, you know, one of the contentions I think I heard this morning from Mr. McGrath was that Nucor is not interested in those. Our plant, in fact, was built to make low carbon Grade 2 fasteners. We were driven out of that market by dumped product from China and Taiwan, and we would love to be able to make it again. I've got people who aren't working full-time. If they want to give me an order, I'll take it today.

MS. ALVES: I don't know if you can be specific now, Mr. Miller, but when, exactly, were you driven out of the low carbon market?

MR. MILLER: You know, as I said in my opening statement, we still actually do make a few. It has been a gradual process over the years, just as it is now a gradual process with the Grade 5s and the Grade 8s. That's the way these things tend to work. You get driven out of one sector, then the next, then the next. So there's no bright line I can draw and

tell you that this is when we were "driven out".

MS. ALVES: Okay, but for the moment you're still producing all three?

MR. MILLER: Correct.

MS. ALVES: And are you aware whether other domestic producers are as well?

MR. WITUCKI: Essentially, the low carbon market again has largely been abandoned domestically due to the pricing difference. I'm not aware of anybody that's producing a Grade 2 product as a standard course. Now, that's not because they don't want to, it's not because they can't, it's not a capability issue. It's a matter of a pricing issue. You can't afford to be competitive and sell a Grade 2. If I may, the Grade 5 product, which is the next echelon of product up, in the last 10 years our business as Nucor Fastener out of St. Joe, Indiana, has been decimated. It is now 10 percent of what it was just 10 years ago. So the Grade 2 business went first.

Then the Grade 2, which is typically a medium carbon, nonalloy steel, which is that next grade level. So I think the Grade 5 scenario more current speaks to the Grade 2 scenario as well. The Grade 2 is the largest market, then the Grade 5 market

is next. The Grade 8 market is closer to the pyramid. It's a higher quality, it's a smaller market. That's where we now find our largest sales component as far as the cap screw business. It's now what's being under attacked and one of the reasons we're here today.

MS. ALVES: If you could be a little more specific, and I'm assuming it's going to involve confidential information in your postconference brief, and just give me your best estimate of what you believe the overall U.S. market share is for the Grade 2, the Grade 5 and the Grade 8, and then just a general sense of what the price levels are in those markets. I'm not asking for your specific shipments into those, but just a general sense of the size of those markets. Also, if you could explain, are you able to use the same equipment to make all of those?

MR. GIALAMAS: The Grade 2 is formed on the same equipment. There might be some areas that you don't need to use on a Grade 2. It's obviously not a heat treated part, so you don't need the heat treat furnaces. You may or may not need to spheroidize anneal ahead of time. So there's some equipment that you might not need to utilize as you would for Grade 5 or Grade 8, but it can be formed on the same bolt

makers readily. Very easily, in fact.

MS. ALVES: And then for the Grade 8 are you using additional equipment that you would not be using for Grade 5?

MR. GIALAMAS: Grade 5 and Grade 8, in fact, Mr. Houck had a walk through and we gave a flow diagram of our operation, and the Grade 5 and the Grade 8 have some slight differences from plant to plant on what maybe spheroidization he's going to use or what furnace just to keep your decarburization control under hand, but basically they go through the exact same flow, same process flow, same wire processing, same forming equipment, same quench and temper, so they are basically using the same equipment.

MS. ALVES: And what about differences in terms of who the end users are for the different types?

MR. GIALAMAS: End users of Grade 8s, if you're looking for a higher strength product, you're going to look at a Grade 8, but people can buy Grade 5 and Grade 8s at the same end user. A lot of the heavy truck type products would be Grade 8, but they also buy a lot of Grade 5s, so I would say that it really is up to the final application of whatever the person

is using on whether it's Grade 5 or Grade 8.

MR. MILLER: And for our business, we sell through distribution, and it's the same distribution network that buys Grade 2s, Grade 5s and Grade 8s.

MS. ALVES: And there really are no differences in terms of who's purchasing the Grade 2s, the Grade 5s and the Grade 8s from them?

MR. MILLER: Once again, I think, as Jim alluded to, it really depends on what you need the fastener for and whether you need the highest strength fastener or whether you can go with a lower strength fastener. That's really the distinction between those.

MS. ALVES: Who's making the decision? The engineer on the ground?

MR. MILLER: The end use customer would make the decision as to whether they needed two, five or eight, but as a manufacturer, we sell to the distributors all of those products.

MR. GIALAMAS: And it's sold into distribution, so realistically, we normally don't know where our products are going to end up because it will go to the distributor and he'll sell it to his final customer typically.

MS. ALVES: I'm just trying to understand

the progression here. You've mentioned that you've started being driven out of the Grade 2s, progressively you're being driven out of the Grade 5s but you're still able to sell some of the Grade 8s. Presumably there's a higher price attached to the Grade 8 purchases. So I'm just, if it really the same end user could use a Grade 8 or a Grade 5, why are they paying the extra to buy the Grade 8, and why do you still have a thriving market there?

MR. MILLER: Right. Just to clarify, Grade 8s aren't always necessarily more expensive than a Grade 2. It really depends on the exact product and its size. It really comes down to for the end user the mechanical, physical properties that they need in that fastener as to which one they're going to buy. It's not a replacement. You can't replace the strength you need from a Grade 8 with a Grade 2.

MS. ALVES: Okay. All right. So they need the input to have the strength characteristics that they're going to get from the Grade 5 as opposed to the Grade 5 or the Grade 2.

MR. MILLER: Correct. That's what differentiates the product.

MR. WITUCKI: If I might, let's say for a heavy truck application, let's say any semi driving

down the road, there's any number of fasteners in that particular vehicle. Now, obviously each of those fasteners has its own responsibility based on where it's being used and what application, so it could be that a Grade 8 fastener is the frame rail bolt that's actually down and actually down in the guts, so to speak, of the truck itself that's actually holding it together on the road that is the vehicle. There may be applications for Grade 2 type requirements somewhere else on that truck, such as in the cab holding on a mirror.

So that same OEM may have applications or needs for Grade 2s, Grade 5s and Grade 8s all within that same end product, but it's based upon application. That's based on the engineering design and where that product's being used. Again, the distributor that we're selling to may very well be supplying all twos, fives and eights into that particular end user, whereas that distributor customer is likely only buying our Grade 8 product today and no longer our Grade 2 material.

MS. ALVES: That's what I was looking for was just an understanding of which applications it's going into. So it may all be going into that truck, but it's different areas in that truck. So you're not

seeing a substitution of the Grade 2s for what used to be a Grade 5 application in that truck. Okay. Once we know what the scope is from Commerce this afternoon I'd be especially interested in any arguments that you'd like to make in your postconference briefs about what we have in terms of the data. In particular, to the extent that there is now a ceiling of 32 millimeters, how do we calculate negligibility? If you can give me now a sense of whether or not there are actually imports coming in from Taiwan and/or from China that are of the larger, greater than 32 millimeters.

MR. WITUCKI: I don't know that we can give you any specific information, but, yes, in fact there is product that is being imported into the United States by Taiwan and China that is in excess of 32 millimeters. It's information that they would control. Again, we don't have specific knowledge of individual factories necessarily and the numbers of those factories.

MS. ALVES: Do you have a general sense of what portion of what is coming in? Right now we have the data segregated between six millimeters and greater. We don't have a drawing line between the six and 32 millimeters.

MR. WITUCKI: It would be difficult, but what I can tell you is that due to the size and the applications for such product, it's relatively small in overall dollars and tonnage just due to the -- again, we talked about applications of various products. A small screw is used in one application that's different than a half-inch or a five-eighths of a particular grade, just as an inch and a half or a 32 plus diameter millimeter product, its applications tend to be less frequent. Just due to the nature of assembly, you just don't see a lot of big products. So, you know, a percentage?

I'd hesitate to guess because I don't know definitively. In this industry, the people that in the United States that manufacture large diameter tend to do so more in a job shop atmosphere. You buy 10 pieces, five pieces, 100 pieces, and we're selling product in thousands and tens of thousands and literally in millions, so I can only fathom that it's got to be a small percentage, but I hesitate to make any estimate or guesstimate.

MS. ALVES: Okay. Obviously our selection of what data sets to use to measure both subject and nonsubject imports is going to be affected by whatever the scope is and so any comments you have going that

way, it's going to affect negligibility, it will affect our volume trend analysis in terms of how we measure the imports coming in, so any comments that you have on that would certainly be appreciated on our end.

MR. GORDON: If I may, this is Adam Gordon with Wiley Rein. We filed last Friday after a lot of collaboration and direction from the Department of Commerce what is really the final scope, so that's been on the record since Friday, and, you know, that really does speak to -- and as far as, you know, the sort of suggestion of, you know, multiple iterations of the scope, what was eventually settled between with the Department of Commerce and is on the record is not materially different from what was in the petition, maybe with the addition of the upper limit.

As Mr. Gialamas testified this morning, the upper limit really speaks to that threshold between cold heading and hot heading. That's a very practical, well-known difference in terms of how you produce the goods themselves. It might be useful to see an example of what we're talking about when we're talking about, say, the upper limit. This is what's in scope versus something that would not be in scope. This, for example, is a one inch bolt. That's still

in the scope, but it's pretty big. As this is -- what size is this?

MALE VOICE: It's probably a five-eighths.

MR. GORDON: And so this is a five-eighths, you know, also in scope. Larger than this, I mean, you know, you don't see too many of these on a kid's wagon, you know? So there's some pretty obvious differences and I also suggest I think what you're going to see in terms of volume coming in.

MR. PICKARD: This is Dan Pickard again. I'd just tag on, you know, I think there are going to be some real holes in some of the data due to requests in changes of scope by the Department of Commerce, due to limitations with the HTS numbers, and, as you're well aware, you know, I would suggest that under the American Lamb standards, to the extent that there are some of these open questions, you know, it makes it appropriate to try and address them in the final.

MS. ALVES: Okay. Just have a few additional questions. If in your postconference brief you could address, you mentioned this morning in terms of one of your cumulation arguments the fact that there is cross-ownership among some of the Chinese and Taiwan producers, if you're aware of any cases where the Commission has taken this factor into account in

an original investigation and whether or not it's taken it into consideration as a factor for purposes of present material injury or threat, that would be helpful.

MR. PICKARD: We'll be happy to do so.

MS. ALVES: Also, this morning, Mr. Pickard, you mentioned that you could probably give us the names of some of the largest producers in China and Taiwan. You said that there were probably, you know, hundreds of them, but if you or your clients could mention some of the largest ones just so that we have a sense of which questionnaires we have in and don't have in.

MR. PICKARD: If we could do that in the postconference, please?

MS. ALVES: Sure, I mean, or even if you just have a handful now off the top of your --

MR. PICKARD: You know, in order to give you kind of a more comprehensive list, we would prefer to do it in the post-conference brief.

MS. ALVES: Okay. And finally you mentioned this morning in your introductory comments that you are aware of some sort of a tip sheet that is circulating? It is difficult to ask questions about something that we haven't seen.

So if you have copies of it that you can make available to the staff and also to the Respondent's counsels that would be helpful.

MR. PRICE: We will be happy to make it available. I am pretty sure the Respondent's counsel have probably seen it, but we will be happy to make it available in our post-conference brief. It is well circulated.

MS. ALVES: Do you have copies with you today even?

MR. PRICE: Unfortunately, I didn't bring it with me. I should have brought it with me this morning, but it has been well circulated, and we will be happy to do it.

Not only has it been well circulated, but the person who sent it out, sent it out under an e-mail address as IFI team, implying that it was the Industrial Fastener Institute in the United States, trying to organize the importers in trying to send this out.

The Industrial Fastener Institute itself, we have understood, is now addressing the fact that their trade name has been infringed upon in trying to organize this effort, and trying to lead the importers along here.

But we will be happy to give you the specifics, and provide it to you in the post-conference brief.

MS. ALVES: In order for them to be able to comment on it in their post-conference brief, it would be helpful if you could submit it today, and serve copies on them as well. That way, they can make whatever comments they want.

MR. PRICE: I will be happy to either submit it today, or I would actually also say that it would have been nice if the Respondents had universally supplied their questionnaire responses to us, and served them on us.

In many cases, we only got a handful of the represented Respondents in this case served yesterday, with the excuse being that others were supplied directly to the Commission and inconsistently with Commission rules, or they are being filed today.

So it has been difficult for us, but I am happy to provide the information, and we will send that out.

MS. ALVES: Okay. If you could today, that would be helpful.

MR. PICKARD: Ms. Alves, my client just informed me that obviously Chun Yu is one of the

largest Chinese producers who are present here in the room today, and they might be particularly well-suited to answer questions in regard to who the largest producers are.

MS. ALVES: And we will obviously be asking them as well, but sometimes it is helpful to get a perspective from the domestic producers as well, and who they believe the dominant producers are, especially in situations like this where we have a large number of alleged producers in foreign countries.

MR. PRICE: And one thing to also keep in mind is our understanding that in the structure of this industry there is also a lot of subcontract manufacturing going on within China and Taiwan. So tracking through this can be rather difficult.

MS. ALVES: Okay. Those are all the questions that I have at this time. Thank you.

MR. DEYMAN: Gerald Benedick, the Economist.

MR. BENEDICK: Good morning, and thanks for you testimony. It was very helpful. I would like to start with questions with Mr. Miller. You had identified instances where Nucor lost sales or lost revenue. I wonder if those, as well as -- and I am addressing this to counsel, some assertions were made

in the petition, and whether you could give us as a minimum the company name and contact, and their phone number, and their fax number? You could supply that in post-conference.

MR. PICKARD: Certainly we will be happy to do that.

MR. BENEDICK: Okay. Also, Mr. Miller, you had mentioned that prices from China and Taiwan were much lower than Nucor's prices, and Mr. Hillman had also mentioned the low prices from China and Taiwan, and that they first started with the Grade II, and that Mr. Hillman had said that price was the sole criterion.

How can you still be making Grade II fasteners if that is true?

MR. MILLER: Well, I think -- you know, like in all things, business doesn't necessarily migrate overnight. It starts out with competitive pressures from one customer and moves to another, to another, and to another. It is not an automatic switch.

There are sometimes loyalties and things like that where people --

MR. BENEDICK: Okay. So prices isn't necessarily the only criterion?

MR. MILLER: Price is overwhelmingly the

criteria. We often have customers, longstanding customers with us who come to us and say, you know what, the price differential is so great that we can't avoid it anymore, and we have to go with the Chinese and Taiwanese products.

You have to remember that in many cases we are seeing prices out of China and Taiwan landing in this country for just over what the steel costs, and there is no physical way that a manufacturer can do that.

MR. BENEDICK: And if that is what is happening, again, in Grade II, which the lowest grade, and probably the most price sensitive of the three grades, how can you still be making a Grade II?

MR. MILLER: You have to understand that we are making a very small amount.

MR. BENEDICK: So you are able to sell some so that --

MR. MILLER: We are able to sell some, and as someone else pointed out, it often is fill-in business at the last minute when they can't get a delivery from overseas.

MR. BENEDICK: Okay. So delivery is an issue when you are dealing with foreign producers, as opposed to domestic producers?

MR. MILLER: Yes, but I don't want to overblow that. Once again, if you keep your eye on the ball, this comes down to price.

MR. BENEDICK: Okay. Another question now would be for Mr. Witucki. I think it was mentioned that Nucor sells through distribution, and so you sell primarily, if not exclusively, to distributors. Do you sell to the same distributors that the China and Taiwanese product is being sold to?

MR. WITUCKI: In fact, we do. We sell through distribution. There is a myriad of different products and therefore distribution is often the logical choice for the end-user. So we as a manufacturer of certain items, and only select items, rely on the distributor to get our product to the end-user, the actual manufacturing company.

So we sell to the very same distributors as what the Chinese and the Taiwanese producers sell to or through.

MR. BENEDICK: Okay. I know there was -- and maybe not here, but there was mention made of master distributors versus other distributors. Could you give us some distinction between those two, and does Nucor sell to the master distributors?

MR. WITUCKI: We do. There tends to be

fewer master distributions in the marketplace just due to the nature. You might want to relate them to a big box hardware store, and you think of a Lowes or a Home Depot.

It is a clearinghouse for any number of smaller consumers. So the distributorships in the United States often of which will either sell to for maintenance requirements, or sell to a specific OEM, or manufacturer in their geographic markets.

They have the option in some cases buying from the manufacturer, and/or buying from a master distributor. Often times it could be quantity, it could be price, it could be availability, but again we compete with distribution.

MR. BENEDICK: So quantity, price, and availability are all factors in sourcing?

MR. WITUCKI: Well, it can be. The standard products tend to be material that is readily available off the shelf. So, therefore, because it is a standard product, it is like milk. It is like eggs. You rarely run into a store and they don't have that product.

So therefore your decision is based on what is that lowest price. Again, it is made to a consensus standard. The product is the same. If

everybody has it, what is the determining factor that is used when you are making that purchasing decision. It's price.

MR. BENEDICK: Do the end-users purchase directly from manufacturers, or do they only purchase from distributors?

MR. WITUCKI: They can purchase directly from manufacturers. It is certainly much more common in the aerospace, and in the automotive industry, as we have discussed.

MR. BENEDICK: No, just the subject standard fasteners.

MR. WITUCKI: The subject standard fasteners are predominantly sold through distributorships. Again, their ability to consolidate and bring that product and plant provider programs, BMI type programs, and the management of often times was considered C-Class hardware. So, yes, distributors are the primary.

MR. BENEDICK: Okay. The volumes that the Taiwanese and Chinese standard fasteners sold either to distributors or to end-users directly larger than what, for instance, what Nucor would sell, such that is volume a factor in the lower price?

MR. WITUCKI: I think the law of diminishing

returns certainly comes into play there. We still run standard products in large lots and quantities, but as far as the product that is exported, certainly you will find that depending on what data is available, that the quantities overall are much greater being imported from China and Taiwan than the standard subject fasteners that are being produced domestically in the United States.

MR. BENEDICK: Well, that might be overall statistics, but in terms of an individual sale, do they have some individual sales that are much larger in volume, which would therefore the availability at a lower price than what Nucor is selling?

MR. WITUCKI: I don't think so. Actually, we have large-scale customers that are buying very vast economies-to-scale types of volumes, and we still find on an ongoing and regular basis that the products and the prices, irrespective of the volumes, are much, much lower on the import product.

MR. BENEDICK: Thank you for that. Mr. McCoy, you had mentioned that Nucor had reduced their price list twice this year. Is that across-the-board for all the subject standard fasteners?

MR. MCCOY: Yes, that is across-the-board for our entire price list. There are some contracts

or relationships with distributors where it is under a contract period that may not have been affected.

MR. BENEDICK: Okay. You also mentioned that you have reduced production, but you have been maintaining employment by having these people paint and what not, and I know that a lot of businessmen around here do the same thing when business is down, especially if it is seasonal.

This is something other than a seasonal factor. How is that different from other companies in other industries who are doing the same kinds of things because of the downturn in the economy?

MR. MCCOY: Hopefully I understand your question. Other companies and some of our other competitors have just flat out laid off employees, and at Nucor we try not to do that. But the guy who has been there 20 years to us is no more important than the guy who has been there 20 days.

MR. BENEDICK: I realize that, but the cause and effect, the causal relationship between the injury of Nucor and the imports -- the downturn in the economy has been enormous. So how do you factor that, factor out that, and say that now there is some residual or other downturn for Nucor that as a result of the subject imports.

MR. MCCOY: So you are saying how can I discriminate how much is due to the economy, and how much is due to injury?

MR. BENEDICK: Yes.

MR. MCCOY: Basically the economy is impacting all businesses obviously, and ours is no different. But as Jim Witucki alluded to earlier, because of the downturn in the economy, and because everybody is tightening up their laces and their belts.

They are looking to find the lowest cost provider anywhere, and so that has forced many organizations to come out and basically dictate that we are lowering our prices, or they are putting supply that we have normally had ongoing out for bid, and very often going to Taiwanese and Chinese imports.

MR. BENEDICK: Okay. Does it also go in this case to other U.S. producers that you are competing with since everybody is trying to -- you know, they are searching for a margin, but they are trying to maintain business, and maintain output levels?

MR. MCCOY: Yeah, I think the other leading producers are also.

MR. BENEDICK: But you are competing with

other U.S. producers?

MR. MCCOY: Correct.

MR. BENEDICK: As well as the Chinese, Taiwanese, and then the non-subject countries that are exporting these products to the United States?

MR. MILLER: I think it is important to understand if I might jump in here that, well, yes, we are competing with other U.S. producers. All of us are competing with the Chinese and Taiwanese price. That is what sets the market.

Overwhelmingly, that sets the market; and yes, we are down because of the economy as a whole, as is everyone else. But we would be in far better shape even in this downturn if we did not have the dumping of Taiwanese and Chinese products.

MR. BENEDICK: Well, thank you for that. Mr. Witucki, I have another question for you. To what extent do Buy America policies or practices come into play for the subject standard fasteners?

MR. WITUCKI: It really -- it's funny. Being a U.S. producer, we don't field inquiries and actually get business as a result of the Buy America that we are aware of. I think in the last 12 months, I am aware of one actual inquiry with regards to government and flow down provisions that actually

specified such.

So again selling to general distribution, not knowing ultimately the end-use, we don't know, but frankly it is not something that we can attribute any of our business to directly.

MR. BENEDICK: But like you say, you wouldn't know because it would probably be the end-user who would?

MR. WITUCKI: Certainly. Certainly.

MR. BENEDICK: Okay. Thank you. I noticed on the witness list, and this is directed to counsel, that Seth Kaplan is listed as one of the witnesses, and unless he has changed his appearance, I don't see him here.

MR. PRICE: Well, Mr. Kaplan is working with us on this case. As you know the Commission is very busy today, and there are two hearings concurrently going on, and so just like the Commission has had to divide its staff up, we have been saddled with the same set of issues here.

MR. BENEDICK: Okay. Well, I have a couple of questions for him, and if you could direct that to him for post-conference. The first is the price elasticity of demand in the United States for the standard fasteners, and if he could comment on that,

and what role any substitutes would play.

The other question goes to page 22 of Volume I of the petition, where you say that U.S. and world economies have slowed dramatically, and you have admitted today that has affected everybody, and as manufacturing and industrial construction ground to a halt demand for the standard fasteners followed suit.

I would like to know from Mr. Kaplan, in addition to looking at changes in real GDP, what measure can we use for the manufacturing, and what measure can we use for industrial construction, and this would probably be from the BDA accounts, where they have the various breakdowns of the GDP, so we could show a time series for the specific sectors for which the industrial fasteners are being used.

MR. PRICE: We will be happy to address those in the post-conference brief.

MR. BENEDICK: Okay. Okay. Those are all the questions that I have for right now. Thank you very much for your answers.

MR. DEYMAN: Gerald Houck, the industry analyst.

MR. HOUCK: Gerald Houck from the Office of Industries. Mr. Aman, I believe I heard you say that you are currently affiliated with a manufacturer of

fasteners; is that correct?

MR. AMAN: That is correct.

MR. HOUCK: And is this manufacturer a manufacturer of standard fasteners as described in this petition?

MR. AMAN: We would have a minimal overlap of capability. We do not produce a standard product line. We are a made to order manufacturer. We do have an occasion to produce product that would fit into the category of the subject fasteners.

MR. HOUCK: Okay. And would that include both the Grade II non-heat treated product, as well as the heat-treated products?

MR. AMAN: It would absolutely include that, if the opportunity were there for us to produce and successfully attend business for that product.

MR. HOUCK: Thank you. Mr. Witucki, in response to a question by our attorney concerning other non-subject countries, imports from other non-subject countries, the only countries that you mentioned were China and Taiwan.

Are these truly the only non-subject countries from which this product is being imported? I am particularly interested in any country which might rise to a level of, say, three percent of the

total imports, such as possibly Canada, Mexico, some European countries.

MR. WITUCKI: As far as statistically, there are a line of subject fasteners being exported into the United States from Canada. Other countries, as far as being of the three percent figure, I am not familiar with any.

Obviously there is product being exported into the U.S. of subject fasteners, but the amounts are very negligible relative to what we see from Taiwan and China, but Canada, yes.

MR. MILLER: If I might add as well. Just so you understand the market a little bit better. Even the Canadian fasteners that are coming into this country, their price essentially in the marketplace is dictated by the Chinese and Taiwanese price.

MR. HOUCK: Well, thank you for that. I wonder if you are aware of what kind of capacity or excess capacity might exist in the Canadian industry?

MR. WITUCKI: Again, not being employed and not having specific information, it is certainly our understanding through a number of contacts in the industry that they have worked short weeks. You know, like ourselves.

They actually -- the IFast Group, which is

Canadian, and FASTCO, is one of the large producers of subject fasteners, as is a sister division of theirs, which is Ingersoll Fasteners, which recently has closed down after in excess of 120 years of continuance production, and you should be able to find that information.

But right now they are running at some small portion. They have also gone through any number of layoffs. So there has been a great deal of strife and change taking place with regard to our northern competitors, which are predominantly being the Ifast Co., or Ifast Group, in Canada.

MR. HOUCK: Thank you for that. When I was in your plant a week ago, I observed a very extensive warehousing operation, with product packed in both cartons and cans, and rather significant order picking going on, with your employees going into the storage and picking out one or more cartons and so forth of various products for shipment.

And I take it that this is for shipment to these distributors, and I am wondering if these are on the order of back to back sales that the distributors have, or is this just for the replenishment of supply at another warehouse that they are operating? Do you have any comment on that?

MR. MILLER: I am not sure that I understand exactly what you are asking.

MR. HOUCK: Well, are you shipping it directly to customers on behalf of the distributors, or are you shipping it to the distributors for them to store in their warehouse for shipment to their customers?

MR. MILLER: Typically the latter. We are shipping it to distributors for them to distribute beyond that.

MR. HOUCK: I have no further questions. Thank you.

MR. DEYMAN: John Ascienzo, the auditor.

MR. ASCIENZO: Thank you very much for your testimony today and the answers to all our questions so far. I think I will start with Mr. McCoy, but anyone else can jump in if they want to. Mr. McCoy, I think in your direct testimony, you thought that Nucor was down to 16 hour work week, with a 16 to 24 hour work week on average.

Before this downturn were you operating around the clock, or were you operating 40 hours a week, or what was your operating tempo?

MR. MCCOY: Fairly consistently at 40 hours a week before this downturn.

MR. ASCIENZO: Okay. So that is Monday through Friday, eight hours a day?

MR. MCCOY: Right, and three different shifts. Typically three different shifts. The first shift is more full than the second or third, but yes, 40 hour weeks for the employees.

MR. ASCIENZO: Oh, 40 hours for the employees, but you were operating around the clock.

MR. MCCOY: In different shifts, yes. Typically it is three different shifts, 40 hours each, and since the downturn, and this year, we have been averaging between 16 to 24 hours per shift.

MR. ASCIENZO: Okay. Thank you. In other steel cases, or actually in a previous Nucor steel case, we had a gentleman from the union come in and tell us that his pay was dependent, or -- well, yeah, beyond his base pay, the employees -- or the production employees could share very greatly in the productivity of the company.

Do your employees have a similar arrangement, or is it that they just get straight pay and overtime, or do they get productivity gains?

MR. MCCOY: Yes, they are compensated the same way. They have a base pay rate, and then based upon how productive they are, they can earn a bonus on

top of that.

MR. ASCIENZO: So it is safe to say that your average worker, that not only is his or her basic pay going down, but it is going down even more sharply because I take it that there are no productivity bonuses?

MR. MCCOY: Right. Their hours are down, plus the productivity bonus is down because there is not enough or not as much work. And so it is a double-hit to them.

MR. MILLER: Yes, this has had a significant impact to our employees. A large portion of their pay is tied directly to production. That's Nucor's philosophy, and it has been our way of operating for overly 40 years. So at times like this less than full hours seriously impact the guy on the floor.

MR. ASCIENZO: Thank you. It is probably -- we can probably get a gross number from the questionnaire data, but if you would like to expand upon this in your post-conference brief, and say that your average guy or girl used to make $40 thousand a year, or whatever the number is, and now they are down to whatever the number is, that would be fine. That would be helpful.

MR. MILLER: Yeah, I would decline to do it

here, but we will put it in the post-conference brief.

MR. ASCIENZO: Thank you. Mr. McCoy, I think you mentioned that your capital expenditures were way down. I think you specifically mentioned perhaps if Nucor could justify it, maybe you would have new annealing equipment and heat treating equipment.

Either now or in your post-conference brief could you give us the dollars associated with it?

MR. MILLER: That's another that we will put in the post-conference.

MR. ASCIENZO: Thank you. I see that your plant -- the St. Joe facility was constructed in 1986; is that correct?

MR. MILLER: That's correct.

MR. ASCIENZO: Do you think that that facility is as modern and as efficient as any in the world, especially comparing the foreign competitors?

MR. MILLER: Yes, I think we would certainly put our facility with anybody else in the world, and I think on a level playing field that we could very easily compete with anybody else in the world.

It is not like we haven't done things to improve our efficiencies or operation over the years. We certainly have and I think we can compete with just

about anybody.

MR. ASCIENZO: Thank you. Mr. Gordon, I don't know if this is exactly addressed to you, but you have the bag of parts in front of you. There is a bag of parts there that probably has -- I don't know, a couple of dozen, a few dozen, parts?

And this might well be in the petition, and I am sorry if I missed it, but approximately how many -- I guess I would call it an SKU, stockkeeping units, does Nucor produce?

MR. GORDON: I am the guardian of the sample, but that information is beyond me. So I would turn it over to one of our industry people.

MR. GIALAMAS: He has become a semi-expert, and so I am pretty impressed with Adam's growth in the fastener industry, but we actually have over 20 thousand different SKUs in our system, and we will produce eight thousand SKUs each and every year, and it might rotate over time. So in excess of 20 thousand different part numbers that we have in our system.

MR. ASCIENZO: So producing any one of these at any time is not an issue, assuming there is enough lead time?

MR. GIALAMAS: Correct. They are all parts

that we have designed and manufactured at one time, and as long as we have steel and all the rest of the ability, we can manufacture them again.

MR. ASCIENZO: And I'm sorry if I missed it, but as you are planning your production at the beginning of the year, or if it is from month-to-month, or week-to-week as it goes on, how do you determine what you are going to produce?

Presumably, you sit down with the distributor and you know what you are going to produce, and when you are going to produce it. But does anyone want to address that, how that works?

MR. GIALAMAS: We actually don't know. We have a historical background of how we did the previous year, and so we have an idea of what types of products we are going to make in the next year.

So we will set up our schedules of what we think we are going to sell, but we actually make-to-orders, plus as Mr. Houck recognized, we do try to keep some products in stock in anticipation of an order coming in from a distributor, and so we do try to keep a certain stock level of these commodity products, the subject fasteners, the big runner type parts.

But basically we have a general stocking

level of 200 parts maybe. Maybe 200 parts that we try to keep basically in stock most of the time, and then after that it is per distributor customer orders.

MR. ASCIENZO: And when an order comes in from a distributor can you generalize is it typically 50 different units, three, or nine?

MR. WITUCKI: I don't know that you could actually generalize. It could be anywhere from as few as one, and as many as in excess of a hundred. If I could clarify, actually we have different groups as far as items that we stock, depending on the velocity or the frequency of sale, the dollars, the volumes.

So we have different categories, and we do carry many more than 200 in inventory at any one time. In addition to orders, as well as any historical data that we might have in our database, to help us determine forward demand in planning our production.

We do have some customers who have EDI systems or some electronic means of providing us with forecasts based on their requirements, either directly, or their customers' requirements, and they will share that information with us.

And based on previously negotiated contracts, we will also run material based on that speculation or forecasting to help us in the planning

and the scheduling process. So we do have the A, B, and C items ranked in quantities, and a B category, a little bit lesser velocity or movement, but we carry those in a lesser commitment, I guess.

Maybe an 80 percent versus a 90 percent target rate as far as full if a customer were to call, and then an even larger category of C items and so on. So there is a pecking order that helps us in our planning.

MR. ASCIENZO: Thank you. Mr. Pickard, you made a general comment that there might be holes in the data. In case you are referring to U.S. producer questionnaire data, feel free in your post-conference brief point out any holes, or any problems that there might be with U.S. producers data.

MR. PICKARD: I think my comment was in regard to import volumes, but I will be happy to do that.

MR. ASCIENZO: Yes, that's what I thought, but just in case you were looking at any other producer questionnaires, and you didn't like what you saw, please feel free to point it out.

MR. PRICE: All right. We will be happy to. We actually have not -- the APO release so far has been rather limited, and so I think the bulk of the

questionnaires that you have received will be released on Thursday, and so we will have a better idea on Thursday.

MR. ASCIENZO: Thank you. Thank you for that. And with that, I think I am done with my questions. Thank you very much.

MR. DEYMAN: Mr. Houck, the industry analyst, has an additional question.

MR. HOUCK: The question has to do with the coating operations. When I was out last week, we talked about electrogalvanizing and mechanical galvanizing, or excuse me, about hot dip galvanizing and mechanical galvanizing, and the fact that your company doesn't actually do that in-house, but rather subcontracts it out.

But what I am wondering is there any part of your product mix that is electrogalvanized, and is that a factor?

MR. GIALAMAS: There are electroplated parts though, and so in fact the silver and the gold ones that you see there are, I think, zinc electroplated.

MR. HOUCK: And that is a separate and distinct process, right?

MR. GIALAMAS: Correct. Correct. It is very typical, the zinc electroplate at Grade 5, and

cap screw, or Grade 8, cap screw, or a Grade 2 cap screw for that.

MR. HOUCK: And that you also subcontract that work if you have it?

MR. GIALAMAS: Correct. We will send it out. We have relatively local sources that we pre-approve.

MR. HOUCK: I read or heard someplace that in the trade that that coating is called simply zinc, whereas the others are called mechanical or hot dip; is that correct?

MR. GIALAMAS: Yes, in general parlance, you will hear people say I have got a half-13 by 1-1/2 zinc blue. That would be zinc electroplate with a blue chromate, or a clear chromate, or I will just say a zinc yellow, which will be zinc electroplate with a yellow chromate.

So it is very common. They will just say zinc, and that means zinc electroplate in the fastener industry. For galvanized, they will typically say either hot dip galvanized, or mechanically galvanized. That's the two types of galvanizing.

MR. HOUCK: Thank you.

MR. DEYMAN: I am George Deyman, Office of Investigations. Some of my questions may overlap

somewhat with questions that have already been asked. Assuming that the scope that Commerce releases today is the same or essentially the same as the scope in your October 9 submission.

Are there any products covered in the scope that you don't produce in the United States, or can't produce in the United States on your current equipment?

MR. PRICE: There are no products that I am aware of in the scope that was released on Friday, or the one that was released originally that could not be produced in the United States.

MR. DEYMAN: All right. Thank you. Does Nucor produce the fasteners of over 32 millimeters in diameter, and you can answer that in your post-conference brief if you wish, but does it?

MR. GIALAMAS: We do not. We come up to 1-1/4 inch or just over -- 32 is just over an inch-and-a-quarter.

MR. PRICE: Alan Price. Just to reiterate, we are right at around that range. Essentially you switch from what is typically a cold heading operation to something that essentially has to be hot headed. So it starts to get into a very different manufacturing process at that point.

MR. DEYMAN: Well, if you don't produce product over 32 millimeters in diameter, why did the original scope appear to include those products? It seemed open-ended on the upper side.

MR. PICKARD: As typical in these investigations, we approached Commerce with our initial suggested scope. The scope that was filed in the petitioner was a proposal or a suggestion by the Department of Commerce.

So it wasn't a factor that we were intentionally trying to bring in anything over 32 millimeters. It was the fact that the initial scope definition included in the petition was one that was suggested.

MR. DEYMAN: All right. With regard to the automotive and aerospace fasteners -- actually, I think I will go back to that question later. Let me ask something else here. The instruction booklet in our questionnaires defined the scope as it was defined in the original petition.

If certain products end up being excluded from the scope -- for example, products over 32 millimeters, our questionnaire data will likely include products that are no longer in the scope. How do you propose that we resolve that dilemma?

MR. PICKARD: I think it is a difficult issue, because as we were talking about earlier this morning, there are going to be holes in a variety of the data, co-mingled data, covering subject merchandise and non-subject merchandise.

The Commission has tackled these problems before, and sometimes it has just been an exercise to pass judgment, and it would come back as a legal matter. To the extent that there are open issues as far as if the data is including subject merchandise, then it becomes appropriate to refine that in the final phase.

MR. DEYMAN: So as I understand it the automotive and aerospace fasteners are no longer probably in the scope. If these investigations run their course, and anti-dumping and countervailing duties are imposed, and there are orders declared by the Department of Commerce, how difficult would it be for the Customs Service to differentiate between automotive aerospace and the non-scope products, and the products within the scope?

MR. GORDON: This is Adam Gordon. We very carefully crafted the scope as filed in final form to provide specific statutory and regulatory references to identify the types of vehicles -- for example, in

the automotive exemption -- whose part numbers generally would be excluded.

And based on that Customs and Border Protection will readily be able to ascertain whether the part coming in is claimed to be excluded, and if so does it satisfy the requirements of an exclusion, specifically the relevant part number.

Air rolled is an OEM part number, and as appropriate, Customs will be easily able to obtain additional information, such as the specifications, and OEM print, and OEM specifications, to test claims of exclusion coming in.

So it is our position that this should be readily enforceable and administratively easily enforced as well. The same is true for the aerospace products.

MR. PRICE: Alan Price from Wiley Rein. I just would like to add to that. The Commerce Department in assessing this has consulted with the Customs Service, and believes that it can enforce the scope based upon the final version in that exemption.

As a lawyer in this area for 20 more years than I really want to admit to, every one of these cases will always have challenges in enforcement, and every one of these cases will always have issues of

circumvention, and in too many cases that we have seen fraudulent claims in end-user certifications, for example, provided. In this one, the Customs Service, in conjunction with the Commerce Department, felt that this was a workable solution.

MR. GORDON: If I can add one point. Mr. Gialamas earlier made a comment in response to a question from counsel about basically interchangeability, and taking an automotive OEM part and substituting it for a standard part in the market.

As a practical matter, we believe the risk of that happening as a means of circumvention, for example, is very low, and should be very low, because in reality you are not going to see a distributor stocking a part made to an OEM spec number, and selling it as a standard part.

Through general distribution someone is going to use it for something else, and as a practical matter, they would get it and say what is this in front of me. This isn't what I ordered, and the distributor would have a lot of explaining to do I would think. And it would also be an obvious flag that there is a potential problem in the enforcement that needs to be addressed.

MR. DEYMAN: Thank you. That's very

helpful. On page 27 of the petition, you indicated that it was very difficult for you to identify specific examples of lost sales and lost revenues by reason of the imports from China and Taiwan.

Can you provide a further explanation of your difficulties in identifying these lost sales and lost revenues?

MR. PICKARD: Well, I think there is a specific concern and then a general concern. In regard to a lost sale allegation as utilized by the Commission, I think when you are generally selling in a distribution, it is difficult to have the specificity required by the lost sale allegation.

For example, the exact date when they lost the sale, or the exact price to whom they lost the sale, and I think it is made more complicated when you have a general distributor system. As a more general note, I don't know of that many businesses who regularly track that level of detail in regard to losing sales to their competitors.

That very mechanism of a lost sale allegation requires such detailed information that it is difficult for normal businesses to provide it, even when they are not generally selling it to distribution.

MR. DEYMAN: And I think Mr. Benedick would like to ask a question.

MR. PICKARD: We will provide for where we have some general examples and anecdotes, and we will provide names and phone numbers per your request.

MR. BENEDICK: That would be helpful. But just following up on what Mr. Pickard said, that you are making the assertion that you are being undersold by the Chinese and by the Taiwanese fasteners. Well, that has got to be based on transactions.

MR. PICKARD: Right, and I think that a petitioner can provide information regarding lost sales generally. That is probative of a causal connection between presence of imports and deteriorating financial performance, without necessarily having to provide specificity in a lost sale allegation.

For example, witness testimony in regard to lost sales, and other pieces of evidence that support that I think are valuable evidence for the Commission, even though they might not have the level of detail required to confirm a specific lost sale allegation.

MR. BENEDICK: Thank you.

MR. DEYMAN: Do you have any suggestions as to alternative methods of developing information on

lost sales and lost revenues? Not only in this investigation, but in general.

MR. PICKARD: That has been a topic of great conversation. I think it would be a great thing if the Commission would run a Federal Register Notice, and invite comments in regard to revisiting how lost sales are investigated and confirmed.

MR. DEYMAN: Thank you. As you know, we work very hard to make sure that the data that we collect in our investigations are as complete and accurate as possible. As discussed earlier in these investigations, our dilemma is that neither the official statistics nor the questionnaire responses are going to be perfect indicators of the level of imports.

The HTS statistical reporting numbers encompass a number of products other than the subject fasteners, and the questionnaire response coverage may not account for all the imports. So please be very specific in your post-conference brief, or even now, as to any suggestions that you have as to how we should best collect and present the import data.

MR. PICKARD: It is going to be a tough question complicated by the fact that you have got so many foreign producers and so many importers. So I

think the first thing we will probably have to do is see what type of coverage you get with the questionnaire responses.

And we will address it further in our post-conference brief. You are going to have to take a look at what the best information is available. We know that there is one clean HTS number. So that has got some probative value, and we will take a look at other possible sources of information.

MR. PRICE: And I concur with Mr. Pickard. We really have to look at all the data as you have collected it in order to respond, and we will be happy to do that in the post-conference brief.

MR. DEYMAN: Sure. Now based on official import statistics, which are not perfect as we discussed, the quantity of imports from China and Taiwan combined decreased between -- well, at least in 2007 and 2008, if not 2006 and 2008.

And then decreased again between January and July of 2008, and January to July of 2009. Now the value of imports increased. In your opinion did the quantity of subject imports actually decrease, and if so, why would it have decreased?

MR. PICKARD: Well, I think there is probably very little probative value to grouping all

of the HTS numbers together because they are such broad basket categories, and I think there is so much non-subject merchandise involved.

If we look at only the one -- the one only clean HTS number, then I think really what we see is absolute increases, and we see increases by market share. I think when you get final and thorough coverage from the questionnaire responses, I think you will see increases in subject import volumes, either absolutely or by share.

MR. DEYMAN: I suspect that the one category that you are speaking of is the structural bolt category?

MR. PICKARD: Yes.

MR. DEYMAN: I noticed that subject imports, the unit values of subject imports increased substantially between 2006 and 2008 from $1.15 per kilogram, to $1.68 per kilogram, and they were up again in 2009 to $1.89. Why were the unit values increasing so much?

MR. PICKARD: Well, I think the short answer is that it is not information within our control. It could reflect a change in product mix within that HTS category, and it could reflect increased costs, but I will turn it over to one of the industry witnesses if

they have got a better idea.

MR. WITUCKI: J.J. McCoy might actually be better able to answer this, because I think in large part what you are going to find is that through the course of the 2006, 2007, and 2008 period that there was a number of raw material fluctuations which I think are reflected in the data as far as the value of the product being imported, as well as the price that we charge here for our U.S. produced products.

To me, I think that is going to be the largest single factor, more so than any others. Business also wasn't particularly -- I mean, some of what we are seeing now is pretty recent, but I don't know if J.J. has anything with regards to raw material.

He procures our steel, and we have seen some pretty large fluctuations and increases there over that time horizon that you are seeing.

MR. MCCOY: Yes, what Jim is referring to is steel, one of the biggest inputs, is a scrapper or driver of the price based on surcharges and so forth, and over that period of time there was a major escalation in the value or the cost of scrap.

A lot of the CHQ wire that we use is based on number one busheling out of Chicago, and that had

gone from the 200 range or 300 range up as high in 2008 as $890 a ton. So there was significant escalation there in price and cost of inputs.

MR. DEYMAN: Could it be that over that short period of time there was a shift in product mix so that the imports now are concentrated more in the Grade 8, versus Grade 2, and Grade 5? Have you seen a shift?

MR. PICKARD: I think we have consistently heard from our clients that there has been a move up the quality ladder by subject imports coming in originally twos, and then taking over fives, and then moving into eights.

So some of the AUV changes could reflect a change in product mix. I think what we are going to see regardless at the end of the day is that the price comparisons are going to show that subject imports under-sell the U.S. product by pervasive amounts, and by large margins.

MR. GORDON: This is Adam Gordon. If I may add one point to that, Mr. Deyman. I think that the Commission staff should be reluctant to read too much into this. To the extent of increases in AUVs, we have heard a couple of factors that could contribute to it, such as the increases in some raw materials,

and changes in product mix.

The changes in product mix could have nothing to do with the subject merchandise within the basket categories. So the nature of the basket category could sort of pollute those data insofar as they would be a truly probative indicator of the experience for subject merchandise entering the country. I just wanted to bring that out a little bit more.

MR. DEYMAN: With regard to the Grade 2, and Grade 5, and Grade 8 that you have discussed, are there any Grades 3, 4, 6, and 7, and if not, why not?

MR. GIALAMAS: There are other grades. There is a Grade 1 and a Grade 3 that I don't think I have ever seen. There are grades that are like 5.2, 8.2, but generally the industry is buying Grades 2, 5, and 8.

A 5.2 is a boron steel, Grade 5, as opposed to a medium carbon steel Grade 5, and 8.2 is a boron steel Grade 8, as opposed to a medium carbon alloy Grade 8. But the primary ones are twos, fives, and eights. And there are also ASTM specs that are listed in our scope, quite a few different ASTM specs, like the A325s.

MR. DEYMAN: When did you first notice the

influx of imports of subject fasteners from China and Taiwan in a meaningful way?

MR. WITUCKI: I mean, I don't know how far to go back. There is going to be people in this room that have a great deal more experience than I, and I started in 1986 in this business. And I think the phenomenon began -- you know, prior to that.

At the time, our first and initial advertisement was that you may be surprised that we are the lowest cost, standard fasteners are cropping up. And this is in the corn fields of Indiana.

This is after the industry had seen a great decline and a number of closures from large producers, the likes of a Bethlehem Steel, or Lamson and Sessions, or Armco, and so on. So really we were bucking the trend by building the plant initially, feeling that Nucor had a methodology as far as our production, and our pay for performance, our automation, and our technology, to really maybe buck what was already a trend at the time.

So it is one of these things that you keep hanging on, and you keep hanging on, and you keep hanging on, and you continue to watch the erosion. So what I would say is frankly we began in this industry at a time when it was already very apparent that the

domestic producer was already largely disadvantaged, and was already being undersold, and that there had been a migration.

It continues today, but I guess today we find ourselves now defending the smallest piece of the pie, and we ask ourselves how long do you continue. Where do we go next. We are in the standards business, and our plant was built to produce and manufacture standards products.

We have talked about Grade 2 throughout the course of some of the initial opening comments. We have talked about the decline of Grade 5 in a 10 year period, which exceeds 90 percent. We have talked about the forced nature of our business being moved into Grade 8s.

And now we are talking about structural product here. Frankly, I know that there are folks in the room that have seen where they have procured product from us largely of a structural nature.

And that business has largely been reallocated to the import and subject countries. So when? I would say since day one, and we have gotten to a point where we are kind of up against the wall. It is a continuing problem, where we are seeing our product being resourced to foreign producers.

It has become an epidemic, and now there are casualties on this side, and we are here to defend ourselves. So I don't know if I can give you an answer. It has been ongoing.

MR. DEYMAN: Thank you.

MR. PRICE: I think it is fair to say that Nucor's passion about maintaining domestic manufacturing, and having worked with them for years, I think there is a pride in that that is fantastic.

There was an article in the New York Times yesterday basically saying because of the global economy recession, China is basically even becoming more competitive, because everyone is so aggressively price shopping.

Our guys here have maintained some sales by meeting competition directly, particularly in the last bastions of competition, whether they are in eights and in structurals. And they have had to do that in order just to continue the plant being open.

But at some point you have to question does further investment make sense. Does further operation make sense. As the last major producer of these commodity products left, you are basically saying are we going to be competitive or not.

Now the Taiwanese producers and the Chinese

producers may well say, well, it is comparative advantage, and you know what? I think Nucor would say if it is comparative advantage, so be it, but if it is accomplished through dumped and subsidized pricing, then the market would be very different.

We submit to you that after the Commerce Department investigates and substantial margins are found, it would be a very different structure for the profitability and the performance of this industry, and domestic production would increase. Domestic profitability would increase.

We don't say that Nucor would get a hundred percent of that. We would say it would be a substantial and meaningful percentage, and it would really affect the domestic industry in a very positive manner.

MR. DEYMAN: I just have a few more questions. An importer distributor of the subject fasteners has claimed that Nucor sells its fasteners only through 12 selected distributors instead of allowing the more than 13 thousand domestic fastener distributors to purchase directly from it. Is this true?

MR. WITUCKI: I can tell you right now that Nucor fasteners, we have parameters with which we ask

our customers to comply; things like credit worthiness, and so on, and so forth, which is pretty ordinary.

We do not sell through 12 distributors. We sell through hundreds of distributors. We do rely on master distributors to make our product available to some of the smaller consumers or small distributors in the marketplace.

But we do not have any sort of a limiting factor outside of a small threshold of dollar volume, a credit worthiness. Yes, we ask that you zone commercial. It is tough to back up to the nearest homestead with a semi, and drop off two thousand pound pallets of product.

But I would unequivocally say that is false. We do have an authorized distributor program when we do choose to work with a couple of core master distributors, one of which is in this room, and can support that.

MR. DEYMAN: Have any U.S. producers or workers on the subject fasteners been certified for trade adjustment assistance at any time since January of 2006?

MR. GORDON: This is Adam Gordon. Yes, we put -- there is a Federal Register Notice that we put

in the record as part of our -- in one of our submissions last week -- I think it was last Wednesday or Tuesday -- as an exhibit.

I think it was Reliant. Their workers were certified for TAA, trade adjustment assistants, eligibility to apply for TAA benefits. We can provide the exact citation or maybe another copy of that for the record in the post-conference brief if you would like.

MR. DEYMAN: On January 31 of this year, the European Union imposed anti-dumping duties on certain iron and steel fasteners from China. How close is the scope of the EU's investigation to the scope of these investigations, and if it is close, do you expect any increased exports of the subject fasteners from China to the United States because of the EU's anti-dumping duty order?

MR. WITUCKI: I am not positive, but it was my impression that the EU order covered merchandise only under six millimeters in diameter. But we can confirm and we will follow up.

MR. PRICE: Alan Price from Wiley Rein. I think one thing that I want to add here is that you do tend to see problematic areas in trade patterns, and you see China on fasteners, although with some

different definitions and different like products under order in the EU, in Canada.

And what that is systematic of is that there is an overall problem. I don't think there is any question that if you look at a market today that right now there is massive excess capacity in both of the subject countries.

As far as we can tell supply is substantial and available to supply the U.S. Demand in the U.S., which is one of the traditional export markets for China and Taiwan, is down. So you have substantially increased supply, or excess supply, chasing a small market.

That essentially sets up a scenario where the price competition becomes much more intense. The competition for that available capacity becomes much more intense. There is no question that I think the evidence in your questionnaire is going to point to a substantial threat of injury.

But we are also addressing very large and systematic problems that exist in global trade. Some of it is related to currency and some of it is related to other issues, but to the U.S. manufacturer it comes down to either there is dumping or not.

If there is dumping in subsidies, I have got

to tell you that a domestic industry like this is affected, and it is also threatened with additional imports, particularly in a soft economy, a soft economy that while it may have hit bottom in some segments, it still has a long way to go before it really recovers.

And a soft economy in this product line, which has a component which is typed non-residential construction, which isn't projected to even bottom for about another 12 months at this point. So there is a long road to hold here and to deal with, in terms of a recovery, or a potential recovery.

Meanwhile, you have substantial excess capacity chasing this much smaller market, and that is one of the main reasons that we are here today.

MR. DEYMAN: Thank you. I have no further questions. Do any other team members have any questions?

MR. KAPLAN: This is Josh Kaplan, Office of Investigations. One question I have for either the Petitioner or their counsel. Why is it that Nucor is the only Petitioner or the only company in support of the anti-dumping duties?

Are you aware of or did you solicit input from other U.S. producers? I believe there are a

handful of other ones that you identified. Is there a particular reason why they are not here today that you are aware of?

MR. PICKARD: There are a few small remaining U.S. producers that we made some overtures to, but -- and I think some of -- well, I would just like to be cautious, but Nucor made a decision that it was in its best interests to proceed either with other companies, or if forced to by itself.

MR. PRICE: You know, I can address that more in a post-conference brief. There are some producers out there of other types of fasteners who are multinationals, who called subsequently and say, hey, can you include this. Can you change your scope to add additional products to it, because we are getting killed, but we don't want to be seen here, because we have plants in different countries.

And so it is a very complicated dynamic. Nucor is a U.S. company. It is here to defend domestic manufacturing. It is here to defend its interests, and whether or not other people are motivated to do that or just return dollars to the bottom line, regardless of where they are produced, doesn't mean any difference in terms of our entitlement to relief under these laws.

MR. KAPLAN: Thank you for that, and if you do have that information, we certainly would appreciate seeing it in the post-conference briefs.

MR. DEYMAN: I am George Deyman, Office of Investigations. Just to make sure that there is no misunderstanding. I mean, I have not seen or I have not looked at the domestic producers questionnaire responses, and so I don't know whether they are supporting or not supporting the petition.

Mr. Kaplan's question was relating to the petition itself, and that no other domestic producers joined in. But it may be that some other domestic producers indeed do support the petition. We will have to see.

MR. GORDON: This is Adam Gordon. Let me make one general point. As I am sure you are aware, a lot of reasons factor into any Petitioner's decision on how to structure their case, and how to move forward in light of their size.

There are other strategic and tactical considerations as well that come into play, and I will just leave it at that, and also we will comment further on that in our post-conference brief.

MR. DEYMAN: If the staff has no further questions, thank you very much for your testimony, and

let's take a three minute break to change sides here.

(Whereupon, a short recess was taken.)

MR. DEYMAN: Mr. McGrath, Ms. Levinson, please proceed.

MR. McGRATH: Thank you, and again, I'm Matt McGrath of Barnes Richardson & Colburn. Also appearing today, I will be introducing a group of importers who are appearing together. Following our presentation Ms. Levinson will introduce her witness as an additional presentation.

I'd appreciate, although I don't think the time will reach this point, but I'd appreciate if we could get a heads up at, if we reach a 50 minute point. I don't think we're going to need to worry about that, but just in case, we have several witnesses.

I'm appearing today, once again, on behalf of what we believe are the vast majority or at least the clear majority of importers of subject merchandise. Also a fairly significant percentage of importers of special parts that are made to OEM specifications, which we'd like to discuss today.

In all of the presentations this morning it was clear that the Petitioners really are not concerned about parts that are made to OEM standards.

They have excluded for convenience certain parts that are made to automotive standards, automotive and aerospace standards. But not included in that exclusionary language, parts that are made to other OEM specifications, and there really is no difference between them. We'll be testifying to that.

They also made it fairly clear that when it comes to standard commercial standard product that is the subject of this investigation, they're concerned with grade 8's and structural bolts; to some extent grade 5's. But the low end, as I introduced at the beginning, the low carbon product for which there is a clear dividing line, is not a product that they are essentially concerned about trying to recapture market share. There's a good reason for that as we will present in our testimony.

One more preliminary matter. I'd like to say that we're not aware of any tip sheet. We did not send tip sheets around or anything of the sort. We take our obligations seriously.

I have no doubt that there were circulations of communications among distributors seeking coalitions to fight this investigation because of the likely harm that it would do to many many distributors and users of standard fasteners, especially low carbon

fasteners, sold in commodity volumes who would be adversely affected without having an alternative source of supply even from Nucor. So we'll comment on whatever that sheet was.

Appearing today we have a number of folks who are very senior in the industry who are the heads of their companies, who are here to give you their insights into what's going on in the industry and why there are these clear lines between products.

First, Mr. Barry Porteous of Porteous Fastener Company, will give you an overview of what's happening in the business.

Followed by Mr. Steve Hansen, CEO of Bossard Corporation. His company focuses on products that are made to OEM parts that are captured in the current scope of this investigation. We would like for you to understand what the difference is and the lack of difference between OEM parts in general and the OEM parts that have been specifically excluded from this investigation.

Also accompanying us today is Mr. Steve Schonholtz, President of Indent Metals and FAP. He's also in that business. He won't be offering a direct statement, but will be introducing some specifications for products he sells that are very similar to what

Bossard does.

After that, Mr. Max Hillman, CEO of the Hillman Group, is going to testify about the low carbon product and the retail market which is very significant, and is not served by Nucor.

Finally, Mr. Jou Chen, the Chairman of the Taiwan Industrial Fasteners Institute will talk about the status of the industry in Taiwan and what their capabilities are, and specifically why they do not pose a threat to the United States.

Then I will follow that up probably with some comments. If there isn't time left, I can certainly do it in questions and answers, but some comments circling back to the reasons why these two like product definitions that we've posed do meet the standard criteria that the Commission is required to look at when deciding what the separate like products are.

With that introduction I'll turn it over now to Mr. Porteous.

MR. PORTEOUS: Good morning. My name is Barry Porteous, I'm the President of Porteous Fastener Company, a company that was founded by my father in 1966. We are the largest privately held importer/master distributor of fasteners on the United

States including the types of fasteners covered by this investigation, but also other fasteners and other hardware items.

We also purchase and distribute fasteners from domestic manufacturers including cap screws, bolts and nuts produced by Nucor and others.

Porteous has 16 distribution locations throughout the United States, and in 2008 we sold over 200 million pounds of fasteners.

Our customers are stocking distributors who sell their product to a number of different markets including manufacturing, construction, maintenance and retail.

Let me interject here, that like Nucor, we sell only through distributors so we're not absolutely sure where our product ends up, but we're pretty confident that about 50 percent of it ends up in manufacturing, OEM applications; about 30 percent is in maintenance and repair; about 15 percent is in construction; and about 5 percent is retail related.

I appreciate the opportunity to discuss the market and why this investigation should be terminated.

First, it is important to understand the development of the industry over the past 40 years.

Incidentally, I started working for our company back in 1966 when I was in high school, and I worked there every summer vacation, every Christmas break, every whatever for many many years before I finally joined the company on a permanent basis.

Nucor arrived on the fastener scene in 1986 after significant evolution had already taken place. Manufacturing of commercial steel fasteners moved off-shore during the '60s as economics no longer favored low value commodity production. As the industry moved to Japan, U.S. manufacturers shifted their production to value-added specials and higher grade type fasteners designated to meet OEM requirements in the automotive, agricultural equipment, military equipment, and heavy truck markets, as well as structural bolts used in high strength applications.

Through the 1970s and '80s the commercial fastener industry shifted again from Japan to Taiwan as Japan eventually joined the special sector occupied by the United States and European producers.

More recently the commodity commercial industry has shifted yet again and now includes China, while the U.S. industry continues to produce mostly specials for automotive, aerospace, and others OEM applications.

With that background Nucor, a steel manufacturer, commenced fastener production in 1986. I want to note here that long before Nucor came on the scene we were a significant customer of Lake Erie Screw who was and is a domestic manufacturer. And at some time, I don't remember when, but Nucor offered us some significant pricing concessions and discounts that swayed our decision to move our business away from Lake Erie Screw, more towards Nucor. We split it, but heavily favored Nucor at that point based on more competitive pricing than Lake Erie was offering.

We've been a supplier to the distributors of commercial medium and high grade fasteners, grade 5's and 8's, structural bolts, ASTM A-325s and A-490s, and all of the nuts that are used with those structural bolts. We have purchased from Nucor and are probably in their top five customers. I know that at one time we were number one for them.

We're fully aware of their capabilities and product range and we do not purchase any low carbon fasteners from them.

I made a note here to add something. They talked about their nut production plant that they put into Arkansas and that it was disappointing when imports forced them out of the business. The fact of

the matter is, imports of low carbon nuts had already gone off-shore many many years, actually decades ahead of Nucor's foray into the manufacturing of nuts. They knew what the pricing was at the time that they got into the nut business. They thought somehow they could produce nuts economically and be able to compete with foreign companies, and they could not, and ultimately they shut it down for that reason.

Today there are only a handful of other domestic manufacturers producing commercial grade non-special fasteners. Again, most of the manufacturers in the United States today are involved in the specials business.

All of the manufacturers that are generally producing the commercial grade fasteners are producing medium and high carbon and alloy products similar to what Nucor producers, and none of them are producing low carbon product.

Low carbon commercial grade fasteners manufactured to SAE, J429 grade 2, and ASTM A307 and low carbon nuts are among commercial fasteners and industry products that I just described for which production moved off-shore in the '60s and the '70s.

The basic reason is that the production technology for these low carbon products is readily

duplicated and there is no value added justifying a higher markup. Medium high carbon and alloy bolts, on the other hand, require several additional production steps including annealing of the material before forming, quenching and tempering after forming, and other steps which are described in their petition as used by Nucor. These steps that require significant additional investment in equipment and plant space. Consequently, they command higher prices in a market that requires higher stress loads and performance characteristics.

It should be noted that manufacturers even in Asia that produce medium high carbon and alloy fasteners do not produce low carbon fasteners and vice versa. Those who produce low carbon fasteners do not produce medium carbon fasteners. The main reason that medium carbon producers would not produce low carbon fasteners is because of the significant investment in additional equipment in order to make the medium carbon and high carbon and alloy fasteners. When you're only making low carbon, you can only amortize that part of your plant that deals with low carbon, not your entire plant.

The customers for medium and high carbon products will not accept low carbon products for their

applications, and on the other hand customers for low carbon products do not need the same level of performance of the high carbon or medium carbon fasteners. These are fasteners that you would find in your local hardware store, home center or lumber yard and are often used in do it yourself applications. Mick Hillman will talk to that in a few minutes. They sell to retailers like Home Depot and Lowes and he has extensive knowledge in that area.

Also here with me today is Steen Hansen, Bossard, North America, a company that supplies fasteners to various OEMs that have not been excluded from this investigation and include OEMs producing farm equipment and heavy trucks. As Mr. Hansen will explain, these OEMs have the same requirements as automotive and aerospace OEMs whose products Nucor has chosen to exclude from the investigation and that Nucor readily admits constitute a separate like product from commercial fasteners.

Finally, Jou Chen, Chairman of the Taiwanese IFI will discuss the industry in Taiwan and explain why the industry does not pose a threat to U.S. industry.

Right now I'm going to describe a little bit about the industry in general.

We heard talk of dramatic increases of the dollar value of imports from 2006 to 2008. I can tell you that it was absolutely because of what was happening with the cost of steel, the cost of energy, and the cost of transportation.

As I'm sure we all read numerous articles about the consumption of steel in China during that period of time and what was happening and there were shortages, steel prices were going up rapidly. We saw increases as much as 50 percent in the prices that we were paying not only from our foreign suppliers, but also from our domestic suppliers.

It was a little bit, I felt, glossed over, that one of Nucor's fiercest competitors is Enfasco in Canada. Enfasco has been underselling Nucor for years and has been a problem in the industry for I guess all of us. Again, as a master distributor of Nucor products I'm constantly trying to sell Nucor products against Enfasco and their master distributors and there was always a pricing issue there.

Commercial fasteners are a commodity, just like the material that they're made out of. So when steel price go up, fastener prices go up; when steel prices go down, fastener prices come down.

I can tell you that Porteous Fastener

Company's business is off 30 to 35 percent since last October. October of 2008 was a great month. The last great month we've had in a long time. Nucor has talked about that they had to take two price decreases during that period of time. We've taken a lot more than that. Our margins have gone to less than half of what they were in 2008.

During that 2006-2008 period Nucor was announcing price increases on a monthly basis. They were tying it to the scrap index. It's interesting to note that the scrap index was rising faster than the cost of the steel they were actually using to manufacture the fasteners, but they and Enfasco were basically tying their prices on a monthly basis to their base cost plus an adder tied to what was happening to scrap steel prices.

I don't believe there's any evidence that Nucor or any member of the U.S. industry has been injured by reason of imports from China and Taiwan, particularly by imports of products that Nucor has shown no interest in making or imports in markets that Nucor has shown no interest in serving. We urge the Commission to make a negative determination before many mores resources are wasted on this needless investigation.

Thank you.

MR. HANSEN: Good morning. My name is Steen Hansen and I'm the Chief Executive Officer of Bossard North America which is U.S. operation of a Swiss-based global fastener distribution company. I've been in charge of Bossard's North American operations for two years and have been with Bossard for the last eight years.

Bossard employs approximately 300 people and have ten locations in the United States and in 2008 had approximately $120 million of sales.

We supply every type of special fastener to various OEM industries according to OEM specifications and individual requirements. Bossard also provides engineering and VMI services, window managed inventory associated with these products. Our customers include John Deere, farm equipment; Briggs and Stratton, non-automobile engines; Emerson, chemical and fuel processing equipment; Siemens, electric power distribution; and many more U.S. based OEM high quality manufacturers.

We also supply blueprint fasteners, special fasteners to two automotive suppliers such as Honeywell, which has been excluded from the scope of the investigation since they are manufactured to an

OEM part number.

Bossard manages a global supply base of more than 1200 suppliers which include manufacturers in the U.S., Taiwan, China, as well as India, Turkey, Korea, Thailand, Malaysia, Brazil, Canada and the European communities.

The Petitioner has explicitly excluded fasteners made to OEM part numbers specific to automobile and aerospace but has not excluded fasteners for other OEMs. I want to clarify that other OEMs also specify unique material and quality requirements and reference consensus standards as well as additional specifications just like automotive customers. All OEM specials can be differentiated from standard, off-the-shelf fasteners in the same manner as automotive and aerospace fasteners and should be treated by the Commission in the same manner as a separate product and market.

The U.S. based OEMs which Bossard supplies have customer designed blueprints, particular quality specifications which include additional plating to make the fasteners more corrosion resistant, and tolerances which are more demanding to ensure high friction specific to their application. These specifications are all spelled out in a very detailed

manner by the OEM's quality manuals for fasteners and in specific drawings or blueprints in which the industry standards has been modified with additional requirements.

Special quality and tolerances requirement reflect the development that has taken place over the last 10 to 15 years within the majority of the U.S. based OEMs with a global demand for high quality finished products is increasing due to the global competition.

Bossard carries approximately 50,000 different stock keeping units, SKUs, in stock, of which 75 percent or approximately 35,000 stock keeping units, SKUs, are made to customer specifications in design, quality, tolerances, including both automotive and non-automotive producers. These are highly engineered products for which it will be difficult to change suppliers. Many of the fastener manufacturers which we work with and their employees are trained and educated to understand and meet these specific customer requirements.

These customer specific products may vary from standards required by automotive and aerospace companies but the distinction is not that great since the goal for the OEMs is to produce long lasting,

high quality products for the global market.

I am presenting for your examination a sample of a John Deere specification for a heavy hex lug nut for an agriculture machine. It should be --

MR. McGRATH: If I can just interject here, we've circulated to everyone and to Petitioners copies of the John Deere specifications Mr. Hansen is referring to. There's a package, the top page on that package is a reference to a consensus standard product, an off the shelf product, and all the pages after it will demonstrate the John Deere specifications, the Deere blueprint, and all the following requirements that go after that.

MR. DEYMAN: Excuse me, this is George Deyman, Office of Investigation.

Do you intend for this to be an exhibit to the conference? A formal exhibit?

MR. McGRATH: We can either put it in as an exhibit here or submit it in follow-up. We do want to submit it to the Commission, but whichever you prefer.

MR. DEYMAN: Then I would prefer that you attach it to your post-conference brief.

MR. McGRATH: We'll submit it post-conference.

MR. HANSEN: The blueprint for this part, as

with other OEM parts and automotive parts, references an ISO consensus standard for material. As you can see, there are additional physical specifications such as plating requirements and quality assurance procedures which must be performed by the manufacturer.

For an OEM to change suppliers for a specific part number a very difficult and time-consuming qualification process must be initiated. They cannot simply buy a substitute fastener off the shelf or from standard stock.

The resourcing process begins with an authorization from the customer to start a Part Submission Warrant or PSW. This is part-specific and cannot be a general authorization for all the parts supplied to a customer.

Bossard as a distributor then conducts market research in order to qualify a potential new supplier for this OEM customer.

The manufacturer then undertakes a Production Part Approval Process called PPAP which includes documentation of manufacturing process and samples of the specific part. The purpose of the PPAP is to determine if all customer design records and specification requirements are properly understood by

the organization and that the manufacturing process has the potential to produce product consistently meeting these requirements during an actual production run at the quoted production rate.

The PPAP including the parts and required documentation is then analyzed by Bossard's engineering testing department and if approved, will be submitted to the OEM for further evaluation.

The OEMs then evaluate the parts for qualification which can include field testing. The PPAP is then either approved and resourcing can begin, or rejected and a new PPAP is required. This process is very detailed and expensive in form of resources and time, and can take between four months to two years to get a PPAP approval from an OEM manufacturer, depending on assigned resources and the level of testing involved.

There should also be a PPAP sample, and we'll submit that later, too.

MR. McGRATH: The PPAP requirements are also attached to the specification that was circulated.

MR. HANSEN: Most importantly, the supplier base we have today is very widespread, including manufacturers in Taiwan and China, whom we have developed to meet these very specific OEM requirements

on design and technical capabilities. Re-qualifying any alternative producers, including domestic and foreign manufacturers, will require a significant expenditure of time and resources, without any assurance that they can meet the specifications for that part. This process may involve extended OEM line shutdown. Alternative suppliers can often take many years to develop.

In addition, many OEMs, not only automotive OEMs, impose maximum levels of non-conforming parts measured in defects per million (PPM) which may require laser sorting and other specialized equipment. This is the same requirement as Nucor has described for the automotive OEMs.

All of these additional requirements are reflected in the pricing for OEM specials, which are at a premium over similar standard fasteners. The same observation can be made of automotive and aerospace specials. All OEM parts are priced at higher levels than off-the-shelf standard parts.

In conclusion, special fasteners made to OEM part numbers are fundamentally different from standard parts in design, uses, distribution, supplier qualification and pricing. As with the automotive and aerospace suppliers, they can be clearly

differentiated from the off-the-shelf standard parts. If they are included in an antidumping or countervailing duty order, American OEMs would have no immediate alternative to inflationary price increases and domestic manufacturers would not secure a new market.

We agree with Nucor that automotive and aerospace fasteners are a separate product from commercial fasteners. But we have demonstrated that all other fasteners made to OEM part numbers meet the same characteristics as automotive and aerospace products. Therefore, fasteners made to OEM part numbers should be found not to be injuring the domestic industry, and excluded from this investigation.

Thank you, and I will be happy to answer your questions.

MR. McGRATH: Once more, if I could just interject briefly, we've also circulated two sets of specifications that were provided by Mr. Schonholtz who's able to testify if necessary on those. One of them is for a GM part that's used in an automotive application and all the specs behind that print that you have before you. That would be excluded from the scope that's been defined by the Petitioners.

The other ne is for an Arvin Maritor heavy truck. Very similar reference made to the consensus standard specification for material. It's called out on the blueprint itself. This is simply outside of the range of what's defined as excluded product for this investigation. So the truck product is in, the GM product is out.

Is there anything else you want to add to that, Steve?

We can provide more in the question and answer period for that.

MR. DEYMAN: George Deyman again, Office of Investigations. Do the attorneys for the Petitioner have copies of these documents?

MR. McGRATH: They have copies. We're trying to get additional copies made. We had to put this together quickly. I think they have a few copies of these things. We'll make sure there are additional copies --

MR. DEYMAN: The main thing is they have at least a copy so that they can address these in their post-conference brief, but I'd like you to also attach these to your post-conference brief, just for the record.

MR. McGRATH: We will make sure they have

enough copies and also attach them to our brief.

MR. DEYMAN: Thank you.

MR. HILLMAN: I guess we can say good afternoon by now. It's after noon.

first of all, I'm not here under an alias. You've got Max Hillman on my document, and my name is Max Hillman, but everyone refers to me as Mick, so whatever suits your pleasure is fine.

Whoever I am, I am the Chief Executive Officer of the Hillman Group headquartered in Cincinnati, Ohio. Hillman is a North American distributor of a wide range of fastener products including both commercial and specialty nuts, bolts, washers, screws, anchors, picture hanging items and associated hardware. Hillman is also the leader in the U.S. market for keys, automotive keys, door keys, letters, numbers and signs, and engravable tags. Specifically pet tags for your dog that you can buy a PetCo or PetSmart -- at least I hope you will.

We market, package and sell over 52,000 SKUs of which 40,000 are fastener SKUs. Our estimated revenue in 2009 will be $450 million. I say this, we have public debt, so these numbers are also available publicly, so that's the reason I can disclose.

I've been in the fastener distribution

business full time since 1969. I've got one year on Barry. I did start part time in 1965, so I consider myself the real veteran here in the room today.

My mother and my father actually started their business, bought a franchise and started in the garage with a $2000 loan. We now have an operational infrastructure consisting of 12 distribution manufacturing facilities located throughout the United States, Canada, Mexico. We employ over 1600 men and women in the United States and another 50 outside the U.S.

Our facilities today accommodate over 5,000 orders per day and over 225,000 lines per day.

Hillman's services retail outlets including but not limited to people like Ace Hardware, True Value, Do It Best, Lowes, who is my number one customer, Home Depot, Tractor Supply who you may or may not be aware of, WalMart, Mennard, Sears, 84 Lumber, and the like.

We sell over 10,000 independently owned retailers. The independent hardware stores are all independently owned. Even though they belong to a franchise, these are independently owned dealerships.

On the question of price someone mentioned, I believe if you would ask my customers they would say

that I'm probably the highest priced provider of products in the industry, but I also have a major share, I have the number one share in all of my products.

We import and sell fasteners exclusively to the retail market and do not believe that the vast bulk of our product presents any injury or threat of injury to Nucor or any other domestic producer. This is because they simply do not compete in the market for low carbon hardware and MRO quality fasteners. In fact there seems to be little reason for them to have included commercial low carbon bolts, nuts, and cap screws in their petition since no domestic producer has been in this market for decades. I think we could go back, and Barry and I would agree, probably the late '60s, early '70s is when most of these people vacated.

Grade 2 and similar low carbon fasteners are the type of nuts and bolts most of you would buy at your local independent hardware store or Home Depot or Ace to build your work bench or fix a book case. They are not heat treated after threading, and although they may be purchased in the same sizes as grade 5's and grade 8's, do not require the higher level of stress and mechanical performance.

The simple economics of fastener production rendered U.S. manufacturers of these low carbon standard grade 2 and ASTM A307 fasteners impractical years before Nucor entered into the industry in 1986.

There is good reason why they concentrate on production to the medium and high carbon grade 5's and 8's. Those are the value added products which yield a higher margin per pound than low carbon fasteners will ever offer. We're not aware they have ever offered grade 2's to the retail market we principally serve.

We also sell grade 5's and 8's which we purchase currently from Taiwan and Canada, which we provide to the retail sector as well.

To the best of my knowledge, Nucor has not competed for the retail and hardware outlets for that specification either. Given the sheer volume of the retail market for these grades of products, there is more than likely insufficient domestic capacity to supply the U.S. demand, especially at the retail end of the business.

The one market in which we understand Nucor does focus their attention is int he structural bolt market for construction and building. We don't happen to sell into either one of those markets today.

This not a recent development in the

industry. It's been their focus as long as I've been in the business. Remedial tariffs on imports of all grade 2's and most imports of the retail market grade 5's and 8's will create no new opportunity for Nucor or any other U.S. producer to service that market unless they decide to completely reestablish themselves as manufacturers of low end commercial products which have not been produced in this country for decades.

It will only mean that I will pass on higher costs to retailers and they will in turn pass on higher costs to you.

For many of these same reasons, I do not believe imports from China and Taiwan pose any credible threat of injury to Nucor or any U.S. fastener producer. The demand in China has grown exponentially in the past three years despite the serious recession that has impacted the world economy.

As recovery takes place there will be even greater Chinese demand for the low carbon grade 2's and for medium and high carbon fasteners that will continue to compete for fastener capacity.

A punitive tariff in the U.S. cannot be easily passed on to U.S. consumers as the Chinese consumer and construction market continues to grow.

We urge you to avoid this needless inflationary mischief and reach a negative finding in this investigation.

I'd be pleased to answer any additional questions you may have. Thank you.

MR. McGRATH: Mr. Chen?

MR. CHEN: Good morning. I am Jou Chen, the Chairman of Taiwan Industrial Fasteners Institute and the President of Ho Hong Works. I am here today to present the view of the Taiwan industry on some aspects of the case and to answer any questions that you may have.

It is important to keep in mind the United States has become less and less important to the Taiwan industry over the last few years as other markets have been developed. Furthermore, during the recent global economic crisis, the exports of the subject merchandise have decreased significantly, in line with the decrease in demand.

According to both Taiwan and U.S. data, Taiwan's exports, or imports on the U.S. side, grew until 2004 after which they declined. After 2004, both the quantity and the ratio of all fasteners and CSSF exported to the States declined. Based on export statistics from Taiwan we see that the exports of all

fasteners to the U.S. fell from 55 percent of all Taiwan exports to 43 percent of all such exports in the first six months of 2009. That same pattern holds for subject merchandise that is a subset of all fastener exports.

Taiwan exported more than 90 percent of its fastener production with less than 10 percent for home market. The new markets for Taiwan fasteners are in the EU and other parts of Asia and for transplant companies in mainland China.

Generally, Taiwan manufacturers maintain a low inventory level. They are professional and well run companies with an emphasis on profits and keeping fairly low inventories is part of their strategy.

During the global economic crisis from January to June 2009 Taiwan's export of fasteners to the world decreased 40 percent, with its exports to the U.S. decreasing more, to 47 percent, compared with the same period of 2008.

Taiwan producers responded to the shock by decreasing production. As companies that are focused on profitability, the Taiwan producers were hurt by the economic crisis just as Nucor was. The Taiwan producers have cut back on their exports to the U.S. and elsewhere and will resume prior levels only when

market conditions warrant it.

Finally, I want to mention that the U.S. Fastener Quality Act has raised the quality control technology in Taiwan and elsewhere. At the same time, it has had the effect of limiting the number of new entrants into the production of fasteners, since only companies with some level of sophistication can meet the new standards.

Thank you for your attention. I will be glad to answer any questions you may have.

MR. McGRATH: That completes the direct presentation of our group. I'd like to reserve, perhaps, a little time if there's any left after Ms. Levinson and Mr. Lee make their presentation, because I had a few concluding observations. Thank you.

MS. LEVINSON: Thank you, Mr. McGrath. This is Liz Levinson from the law firm of Garvey Schubert Barer. Good afternoon to all members of the Commission staff.

I'd like to introduce my client who is seated to my immediate right. His name is Dan Lee, and he is with the company called Chun Yu Works USA. Chun Yu Works USA is a subsidiary of a company, a factory in Taiwan, one of the largest exporters from Taiwan of structural bolts. The company in Taiwan is

known as Chun Yu Works. In addition, the company has a factory in China.

Dan is going to speak about some of the issues that are specific to Chun Yu. Thank you.

MR. LEE: Good afternoon. My name is Daniel Lee. I am the Project Manager at Chun Yu Works USA, Incorporated, known commercially as Chun Yu.

My great uncle and grandfather founded our parent company in Taiwan in 1949. In addition to having facilities in Taiwan, our parent company owns factories in China as well as Indonesia.

I have been with Chun Yu for about three years. By education and training, I am an engineer. My primary responsibility at the company is interfacing with our Taiwan factor. I am also familiar with the U.S. market as I coordinate closely with our sales staff and our customers.

I'm here today to voice opposition to the petition. My company has been in business for many years and our business practices cannot be considered predatory. In fact a large portion of our company's sales consists of a patented fastener product developed and designed specifically by one of our U.S. customers for its own use. As we are the sole licensee of the product, however, neither Nucor nor

the other U.S. producers manufacture an identical product.

Until recently, all segments of the fastener business have been doing extremely well. As the construction business was at the height of its cycle in 2007 and steel prices were also at all time highs. However, since the mid third quarter of 2008, the construction business in general and the demand for fasteners in particular has collapsed as the economy contracted and entered the deepest economic downturn since the Great Depression.

The impact of the recession has not only impacted Nucor and the other domestic producers, everyone participating in the U.S. or the global fastener business has felt its negative impact. Overall demand from the construction industry has collapsed as have steel prices, so overall sales and revenues have plummeted.

My own company's sales in the U.S. have declined by about a third year to date in '09 as compared to last year in '08. Some of my customers have told me that their U.S. sales have declined by as much as half.

The recession has impacted our parent company's fastener business in Taiwan, China and

Indonesia. For example, we've had to furlough employees in Taiwan, slash wages to all our U.S. employees, and lay off about one-third of our warehouse staff. Many of our competitors have shifted to four day work weeks.

Consequently, I do not believe that imports from China and Taiwan have been the cause of any injury that Nucor or the domestic industry may be suffering. Rather the collapse in U.S. consumption and the declining market for fasteners in general are the direct cause of declining fortunes for all participants in the fastener business.

In my experience, competition between imported and domestic fasteners is limited. First, a portion of the fastener business is tied to construction projects, obviously, many of which are funded by federal and state governments and they are subject to Buy American provisions.

There has been one incident recently in which a contractor refused to purchase fasteners from us because the project was Buy American. This portion of the market is protected from import competition. We feel that the Commission should ascertain the significance of this market.

Second, a large portion of our company's

sales are in patented products. The Petitioner itself recognized that patented products or other specialized products are outside the scope of this petition. Our customer has expended considerable resources and technical expertise in developing this specialized product and has licensed the product exclusively to Chun Yu.

In addition, I was surprised to learn that although China and Taiwan are subject to the petition, equally large suppliers to the U.S. market like Canada and South Korea have been excluded from the petition. If imports from China and Taiwan are blocked as a result of antidumping duties, imports of commercial fasteners from Canada, Korea, or other countries will simply replace them. U.S. producers are unlikely to be able to meet total U.S. demand, and it is inevitable that U.S. customers will continue to source commercial fasteners from abroad.

Thank you for providing me with this opportunity to present my views. I'd be pleased to answer any questions you may have.

MS. LEVINSON: That concludes our testimony.

MR. McGRATH: Thank you very much. I would like to offer a few concluding statements. Also for the record, i failed to mention my partner joins me

today, Jeff Neeley, and also our associate Steve Brophy. They're also available here for your questions as well.

Although this group of witnesses were here for their named companies, I did not mention that we are also representing several other importers who are not here today but who support this position. They are, in addition to those who are here, Earnest Machine Products; Fastenal Corporation; Heads and Threads International; Soule, Blake and Wechsler; Steelfast; and XL Screw Corporation. Those are additional participants.

I'd like to summarize, if I could, our position on the like product differentiation because I think it's very important to your ultimate decision process here.

Our witnesses have demonstrated that they view the industry and the markets in a very segmented fashion, and that there is a natural reason for the segmentation. We're arguing that with respect to parts that are made to original equipment manufacturer blueprints, whether they are automotive and aerospace or other original equipment manufacturers, those require the same special kinds of quality and qualification characteristics and tolerances and all

the things that have been described already by Petitioners.

In order to differentiate all of these from a standpoint of what is an appropriate like product distinction, I think it's fair to say we concur with the Petitioners on all that they have already presented to you with respect to the like product distinction in the addendum to the petition filed last week. They did indicate they went through each of the six elements that are normally considered -- interchangeability, physical characteristics, channels of distribution, producer and consumer perceptions, common manufacturing facilities, and price -- and demonstrated to you why automotive and aerospace are different from other fasteners that are included in their definition.

We submit that other OEM parts easily fit into that same differentiation, and we agree with them on all of those. We would point out, and we're certainly happy to discuss on the question period, how other OEM parts like automotive and aerospace, differ from the rest of the industry.

With respect to our second argument, which is another like product, so we're essentially asking you to consider three like products here, that is to

take the remaining product which is primarily commercial standard fasteners and divide them between low carbon product and the medium high carbon and alloy product based, again, on differentiation that meets all of those six criteria.

This is not something, of course, that Petitioners have laid out, so with respect to the blueprint specials we adopt their analysis as submitted last week and insert other OEM blueprint specials in there.

For the low carbon product, I think our witnesses have drawn a pretty clear line, they view low carbon to be a separate industry, made in separate equipment and sold through different outlets. The low carbon product is ASAE J429 grade 2, and A307 and any other low carbon specifications, those are the two main specifications where there is a clear dividing line in the industry. These are not provided or sold by the Petitioner, they are offered by the Petitioner. If you go to their web site you will see those two products, grade 2 and A307, but they are specified as by "special order only". They are no longer in the business to try to sell grade 2's, and this is not a recent development. As we've said, this is a natural evolution that took place in the industry long before

they were involved.

But I think Mr. Porteous made it clear what the difference is in manufacturing characteristics where the low end is not interchangeable with the high end. The grade 5's, 8's and above cannot be used interchangeably with the low carbon material. It would be like going to the hardware store to buy product and use it in building a bridge. This just can't be done.

The channels of distribution, there is some overlap. There's not a perfect break between them, but as you heard from Mr. Hillman, he really doesn't even deal in the higher end. He sells mass quantities to the retail outlets and these are primarily the low carbon product. Producer and customer perceptions are quite different when the repair and construction businesses and some other OEM manufacturers who don't need blueprint specials, specify a 5 or 8. Their perception is that a grade 2 just won't do. It's not a strong enough product, it hasn't been annealed before forming, it hasn't been heat treated after forming. It's a different product physically.

In terms of price, once again, grade 2, low carbon product is very low priced product compared to high carbon and alloy product. Grade 5, grade 8 and

above. Those have clear-cut distinctions and dividing lines that we would like to elaborate further in the brief.

With those arguments laid out in that fashion, I think that it's fairly clear that blueprint product, those that are made to OEM specifications, really do occupy the same ground as automotive and aerospace fasteners. There really is no basis for distinction between them. And a John Deere product or an OshKosh truck, there are many OEMs who have very specific product part numbers and specifications that would be affected by this including military manufacturers. OshKosh Truck, for instance, is making heavy equipment, attack vehicles for use int he Middle East and any other military suppliers as well would be adversely affected by product if it's included in the definition of what's covered if there's found to be injury.

We just submit that there are separate like products and that there is no injury with respect to the blueprint special product.

That concludes our presentation, and we're all available to answer questions.

Thank you.

MR. DEYMAN: We'll begin the questioning

with Joshua Kaplan, the investigator.

MR. KAPLAN: Good afternoon, and thank you all for participating in our conference.

I have a question for Mr. Hillman.

You talked about how you have your product range going mostly to retailers. What are the sizes that we're talking about here? Are these products that are above six millimeters, below six millimeters? Is there a mix?

MR. HILLMAN: First of all I carry, in addition to the products under the scope here, I carry thousands of just regular screws and washers and what not. So relative to the things under the scope, I carry bolts from quarter inch to inch and a quarter.

Was that your --

MR. KAPLAN: If we could stick with the millimeters, I'm not great at --

MR. HILLMAN: I'm not good at millimeters.

(Laughter.)

MR. KAPLAN: How many of those that are above six millimeters are going to Home Depots and Lowes, et cetera? How many of those that are above six millimeters?

MR. HILLMAN: Anything above six in this product, up to, what would be an inch, Barry?

MR. PORTEOUS: About 25.

MR. HILLMAN: So 6 to 25 is the range that I would sell to Home Depot, Lowes, or any of the independent stores.

I have other products, not bolts necessarily, screws for example, below six millimeter that we sell all the way down to, you can't even pick them up, they're so small. Down to the same locations. So we have a complete range of sizes.

MR. KAPLAN: Thank you.

This question I believe is probably for Mr. McGrath. I believe this was touched upon in the opening statement, but perhaps you could elaborate. Do you believe that the Commission staff should cumulate imports from China and Taiwan? If so, why or why not? If you can just provide us with some detail there.

MR. McGRATH: We will evaluate this and provide further argument.

Some initial observations, though, cumulation analysis usually focuses on, one of the most important things is whether the products from both countries are competing with one another in the market, and whether they are in the same market simultaneously, whether they are the same like

product. If in fact there are separate like products, I think you're definitely going to find there's a higher concentration of low carbon grade 2 product from China and a higher concentration of other product, although there will be both grade 2 and higher from Taiwan, but there will be different product focus between the two.

We'll have to reevaluate that when we submit our argument. We're not making a specific argument this time, but we will submit arguments.

MR. KAPLAN: Thank you.

The question was asked, or a couple of questions were asked of the Petitioners earlier today regarding how the staff should use, what methods we should use for gathering trade related information. I realize that you all haven't seen the bulk of the questionnaire data yet. That will be forthcoming in the APO release tomorrow. But at this point do you have any position on how you believe staff should gather and present the trade data? One, from the perspective of should staff use the questionnaire data or import statistics or some sort of hybrid? Additionally, how should staff address the scope as it has kind of been evolving over the time that we have been gathering the data?

MR. McGRATH: I have some thoughts on that. Not the golden answer, but I'll be happy to offer a few observations.

Yes, you do have a definition of CSSF that evolved from the time you sent the questionnaire to now. With respect to data that you get from questionnaire answers, some of that data will break down so that you do have a basis for evaluating imports of what we're describing as parts that are made to blueprints.

Because you established a breakout for modified, special fasteners and other, for some of the data, we broke that out in our submissions so that could at least be separately evaluated.

The definition of CSSF did change so that's going to have an impact. I think you have to do a combination of looking at the trends that are showing up in import data and combining with the trends that show up in census data.

The census data is, they are basket categories, they are broad, they're not narrow. But they do reflect some of what's happening in the industry, and I think you can, as you have in cases in the past, used them as a check against questionnaire data and make the best estimate you can.

It's a difficult task when you have a very narrow product definition, and one that changes. For whatever reason the scope changed last week or in the last few weeks. Whether it was dictated by the Commerce Department, or whether it was an attempt to narrow by the Petitioners, it did change the database and it will change how you view I think the data that you've collected. You're going to have to take the data you've collected and stack it up against publicly available data and see where the trends might suggest you go with that.

Incidentally, while I have the floor if I could say, on the questionnaire responses I think there was a suggestion made that we were delaying responses. I offer no apologies for getting a lot of our questionnaires in one business day late, and we'll try to get the rest of them today. But these changes did necessitate people changing data that they were putting together and it was a very difficult turn-around. I'm quite pleased with the performance of all the people here at the table with their people working through the weekend and all through last week to get questionnaire data. But we're happy to revise it if that helps. We can work on narrower definitions to try to make sure that you're able to differentiate

imports in the product lines that we've discussed.

MR. KAPLAN: Thank you, and we certainly appreciate your offer to further revise the data as necessary. Obviously any requests would be forthcoming.

MS. LEVINSON: Mr. Kaplan, could I just add to that? Chun Yu also has been working on this questionnaire around the clock. I think he's estimated that he's put about 80 hours so far into responding to this questionnaire. And part of it is now segregating out some of the products that are no longer within the scope of the investigation. So our questionnaire should reflect the most current scope and we're hoping to have that either this afternoon or tomorrow.

MR. KAPLAN: Thank you.

A question for Mr. Hansen. You talked quite a bit about the different kinds of OEMs that may be out there, aside from automotive and aerospace that have been discussed kind of throughout the day here. Could you give me one or two examples of that? It's not clear to me at this point what would be some of the examples of an actual end-use product. For example, a passenger car would be an example of an automotive application. What would be an application

for something you're talking about?

MR. HANSEN: An ATV would be an application for example. A lawn mower would be an application, from Briggs and Stratton. So these are types of products that are built under the OEM guidance. Electrical breakers that sit in your house, are also OEM manufactured products.

MR. KAPLAN: Thank you.

I'd like to switch topics a little bit to talking about the foreign industry. I appreciate, I'm not sure, Mr. Chen, if you came from Taiwan or not for this, but regardless, we appreciate your participation here. Let me know if I'm speaking too quickly or if you need something to be repeated.

Are you able to give some sort of estimate on the size of the industry in Taiwan, of course, but also in China if possible. The industry for the standard fasteners as they've been defined here.

MS. LEVINSON: Mr. Lee is going to translate.

MR. LEE: I'm going to translate. Could you repeat the question again? Sorry.

MR. KAPLAN: Sure. I'm wondering, seeing as how you represent the Taiwanese Industry Association, if you can provide us with some sort of overall size,

both production and capacity, as it relates to these standard fasteners for Taiwan.

MR. CHEN: We can say that about average level capacity. I think it is about 1.5 million metric ton.

MR. KAPLAN: I'm sorry, this is for what period of time?

MR. CHEN: A year.

MR. KAPLAN: 1.5 million metric tons. And this is all fasteners? This is strictly the subject fasteners.

MR. CHEN: I think that would be about 70 percent that must be excluded. Extended steel and small screw and other like nails or something -- about 70 percent. Seventy or 75 percent.

MR. KAPLAN: Thank you. Do you know, do you have a sense of the size of the Chinese market? Are you knowledgeable about that?

MR. CHEN: No.

MS. LEVINSON: Mr. Kaplan, I just received an email today from the Xiajong Province Fasteners Association asking me to put in a notice of appearance from them, so I will certainly get that information from them.

MR. KAPLAN: Thank you.

And Mr. Chen, if you have some sort of statistics or publications that have been put out by your association that pertain to its production capacity and export of these fasteners or of fasteners in general, if you would have your attorney submit that, that would be helpful to us.

MR. McGRATH: We will be happy to work with Mr. Chen and get the industry association numbers and submit them from the industry association. They collect data, and I don't know how narrowly it will be broken down, but we can make sure that's submitted.

MR. KAPLAN: Thank you.

MR. SCHONHOLTZ: I think I can help you with that. Steve Schonholtz, Indent Metals.

I've been a gray beard employer like the rest of these guys for 31 years, 24 as a commercial standard fastener importer and the last seven as an OEM parts importer. I've known Joe for 29 years, and I've known Daniel's father and uncles for just about the same amount of time.

We chart these statistics based on the U.S. import HES number tariffs. If you break out just the general tariffs from Taiwan, we're looking at about $700 million a year as described in the overall tariffs before you're breaking down the tariff codes.

And on China's side about $400 million. That's talking covered fasteners, based on the HES numbers.

MR. KAPLAN: This is the aggregate number. This isn't broken out for the subject product we're talking about here?

MR. SCHONHOLTZ: That's correct. And that's for 2008, those numbers I gave you. We would submit that for --

MR. KAPLAN: Yes, if we can get that in the post-conference submission, that will be helpful.

A question for Mr. Chen, and thank you Mr. Lee for helping with the interpretation.

Do you know or can you tell us who the biggest producers are in Taiwan? Exporters, for that matter, of these fasteners. Maybe the top three or five. can you tell us here today?

MR. CHEN: All of fastener items or just the CSSF --

MR. KAPLAN: Just the actual CSSF product.

MS. LEVINSON: Are you asking for exports to the United States?

MR. KAPLAN: We're just looking for a general indication of the size here.

MR. CHEN: I think number one is Chin Ha, then maybe Shu Po Cheng, C-H-E-N-G. That's a nuts

manufacturer. That's all.

MR. KAPLAN: Those are the two biggest exporters? Or are there others? I'm looking for, to know who to make sure that I get the data from. It's important.

MR. CHEN: Maybe San Shing Industry.

MR. KAPLAN: Thank you.

MR. McGRATH: We can provide the list. These gentlemen have been in the business a long time and dealing with all of the mills there.

We'll be providing the list both for China and for Taiwan.

MR. KAPLAN: That's very helpful. Thank you.

And thank you, Mr. Chen, for that. I appreciate it.

MR. CHEN: And QST. That's all.

MR. KAPLAN: Mr. Lee, perhaps you could comment on is there any difference in technology production that you're aware of. Between the U.S. produced subject product and the foreign product, differences in them for example, if one industry in general has a higher level of technology or lower, or different processes involved, or if they're all the same. do you have anything you could say about that?

MR. LEE: I guess I can't comment directly on that because I've not seen production facilities in the United States. I've only seen them overseas in China and Taiwan.

If I were to wager a guess I would say they're probably comparable in the sense that we want to manufacture say A375 bolts, you have the same general procedures, the same general steps that you follow in manufacturing. You have annealing, you have bolt forming, threading, heat treatment. But beyond that as far as the detail of equipment or the nature of how they do QC, that I really can't comment.

MR. KAPLAN: I'm sorry, I didn't mean to exclude the other part of the panel here. If you all have knowledge based upon your import operations, perhaps even if you are aware of a particular industry being more efficient or less efficient than the other, that would be helpful.

MR. PORTEOUS: I've seen factories all over the world and I can tell you that generally speaking the equipment is very similar. They're using bolt makers today. I mean years ago they used to use headers and trimmers and rollers and so the equipment has become far more sophisticated.

Generally speaking, I'm not sure if this

helps our case or hurts our case, but it's honest. The foreign manufacturers trade out equipment a lot more frequently because they're allowed to depreciate the cost of that equipment over a much shorter period of time than we are here in the United States. So consequently, upgrading of equipment happens quicker in these factories overseas.

I think if you saw some of these factories you'd be absolutely amazed at how efficient and effective they are in producing product and moving wire through their factories and coming out the other end as finished goods.

Dan Lee's family's business has an equipment manufacturing, Chun Zu, and make some of the finest fastener-making equipment in the world. Bolt makers and parts formers and the like. I don't know if they sell it much in the United States, but you can go almost anywhere in Asia and see their equipment.

Just to highlight once again, there's a distinction in the production process between the low carbon and high carbon products. Depending on which end you're talking about, the machinery equipment is comparable, it is efficient, and manufacturing is done efficiently both in the U.S. and in the foreign facilities. But the high carbon product has

additional steps that differentiate its production process.

MR. KAPLAN: I don't have any other questions at this time. Thank you.

MR. DEYMAN: Elizabeth Duall, attorney/advisor?

MS. DUALL: Thank you again for being here today.

Just one point I want to clarify initially. It seems that you're not contesting that it is not necessary to expand the domestic like product broader than the scope to include fasteners less than six millimeters. Can you just comment on that?

MR. PORTEOUS: Well, I think it's interesting to note that in their final definition of the scope they use six millimeters on the small end and 32 millimeters on the high end. That happens to be the size range that Nucor makes. They don't make anything less than six millimeters and they don't make anything larger than 32 millimeters. And although they said in their testimony that 32 millimeters is kind of the dividing line between cold forming and hot forming, that's not totally true. There are several factories in Asia that have machines that will make up to 1.5 inch or the equivalent of about 38 or so

millimeters, cold formed. There are lots of factories that make less than 32 millimeters hot formed. So the differentiation between hot formed and cold formed, they're two totally different processes, but there's not a clean dividing line by size.

MR. McGRATH: So we're not arguing for an expansion of the industry to include below six or above 32.

(Laughter.)

MS. DUALL: Thank you.

This is a question for Mr. Porteous as well. Do you have as sense of how much of the product coming in is over the 32 millimeters?

MR. PORTEOUS: It wouldn't be a large percentage. It's generally high value per pound. But as a percent, our highest volume part is a 3/8 nut and it represents about 1.3 percent of our total sales, and we have tens of thousands of SKUs and that one SKU represents a huge part of our business.

MR. SCHONHOLTZ: Mostly in the large diameters, hog forged products, we're seeing those products from China and India and Korea where more hot forged product is made. Much more so than Taiwan, which is more of a cold formed structure based on their machinery.

MS. DUALL: Can you, Mr. Hansen, if you could elaborate on some of the other OEM products. You mentioned farm equipment and heavy trucks. Electrical breakers. Can you identify either here or in your post-conference brief the other items that would be classified as such?

MR. HANSEN: We can expand the scope. Most of our business is for the OEM business. And that's probably 90 percent of my business that goes in that discretion. So I can map out these companies that uses these quality requirements, blueprints, which are similar to the automotive industry.

MS. DUALL: And there are all types of fasteners. We're not just --

MR. HANSEN: All types. Nuts, bolts, six millimeter, over six millimeter, below, and so forth. It's a full range. Washers, for example, also.

MR. McGRATH: If I can also clarify, we are not asking for -- OEMs are also generally going to use some commercial product, some off-the-shelf product. We're not saying that you should exclude all OEMs or treat all OEM purchases as being separate like product. What we're talking about is parts that are made to an OEM part number such as those that invariably have a blueprint like you're looking at. A

blueprint specification which will always cite an ISO or another consensus standard of some sort, in addition to adding all the other elements.

What we're suggesting, of course, is not that you exclude simply OEM purchases somehow from the industry. That was a suggestion I think made by the Petitioners that were trying to define out everything, because anything going to OEM would be out. What we're saying is that these special fasteners that are made to prints should be treated as a separate like product. In the same manner as automotive and aerospace.

MR. HANSEN: It might also not always be just a print. It also could be a specification that outlines a certain product. For example, you don't want to have a tractor rusting, if you export that one out very fast. So John Deere requires, for example, a higher layer thickness of plating in their whole plating manual. I think you have a copy, and we'll make sure that that's all to file. So they say we need higher plating thickness on these parts in general, so it could be a standard product but the quality requirements require higher plating because they don't want to have them to rust.

MR. SCHONHOLTZ: I'd just like to add a

little bit to the PPAP discussion. Basically the PPAP came from the Automotive Industry Action Group. It started in our industry a few years ago and has moved to just about every major OEM that we could count. Looking for source specific quality assurance. Instead of going to a laboratory in a particular factory or accrediting that factory itself, we're actually accrediting a part. An item. That big book that we've given you which is the PPAP and the PSW, sometimes 40 pages, sometimes 70 pages, is basically an accreditation of the item. And based on that, we're arguing that there's no way it should be considered a commercial off-the-shelf or standard fastener based on the quality required by the end users.

MS. DUALL: I have a question about the pricing. Petitioners made the comment that, for example, the grade 8 was not necessarily more expensive than the grade 5. It depended on how the product was made.

Can you comment on that? Elaborate a little bit more?

MR. PORTEOUS: We sell a lot of grade 5's and grade 8's and I have never seen grade 8's at the same price level as grade 5's. They're made from a

higher grade material so it's a more expensive materia. I'm not sure what all the other cost elements would be, but grade 8's are, again, I've never seen them priced at the same level as a grade 5. They're always higher and a fair amount substantially higher.

MR. SCHONHOLTZ: I would agree with that, by the way.

MR. LEE: The best way to look at pricing is actually look at price with weight. Otherwise you can get misled by an item, a grade 5 item that's very very big compared to a grade 8 item which is very very small. But I concur with Mr. Hillman. It's generally impossible to have a grade 8 item that costs less than a grade 5 item.

The manufacturing processes that go into them, the material itself that you buy is more expensive for grade 8. you don't make as much of it typically and in manufacturing to make that material useable in the forming process. That, of course, adds to the cost of the item once it reaches the end users.

MS. DUALL: Thank you.

MR. PORTEOUS: If I could add one point to that. Sorry to interrupt.

MS. DUALL: That's okay.

MR. PORTEOUS: Just so there's no misunderstanding about the discussion of 5's and 8's versus a discussion of 2's and low carbon. The 5's and 89's have some comparability. the pricing is different between them, there are distinctions between them. But we're saying that the bright line is between the 5's and 8's and others on the high end and the 2's on the low end. The pricing is much different between the low carbon and the high carbon because the high carbon has different value added activities that go into producing 5's, 8's and others.

MS. DUALL: With the production process, kind of building on that, is it true that you can make the low carbon on the same machinery that you made a grade 5, for example, but there are additional production processes for the grade 5 and 8.

MR. PORTEOUS: Yes you can, but you don't need to have as good equipment to make a low carbon as you do to make a medium carbon or an alloy. So you can certainly trade, you can have a ten ton truck when you only need a five ton truck. But there are significant other processes after the fact.

MS. DUALL: With the other OEMs, Mr. Hansen, the Petitioners seem to suggest that there were different physical characteristics and that they're

also on the back end. But I'm trying to understand on the front end in terms of the production processes what the differences are. If you could sort of elaborate on those and identify some of the different production processes and machinery that you would need on the front end other than the testing.

MR. HANSEN: The scope I think is important to understand that if you produce to an OEM manufacturer, first of all you need to have consistent machinery, high quality machinery. As I also said, high friction. Friction is one of the most important things if you put something together, that's kind of holding the bolt together or the application together, so they want to narrow the tolerances. You might on a standard product maybe run one million pieces, but if you run your machinery with the high quality you might only run 5,000 or 50,000 pieces, then you need to change the tool. So the tooling has also some impact on the quality of the product.

MS. ALVES: Good afternoon. Thank you also to this panel. Both panels have been extremely helpful today. I appreciate it.

Some more questions in terms of the distinction you would like us to draw between the OEM blueprints or the OEM specialty products and

everything else. Can you describe to me in a little bit more detail what would be left in the everything else category?

MR. MCGRATH: Well, that is a distinction I guess initially drawn by Petitioners in their petition and no explanation as to the justification for excluding automotive and aerospace. What would be left in the all other categories is what you heard Petitioners talking about this morning. They were talking about commodity product. They weren't really talking about fasteners that are made to an OEM print of any kind. They've tried to cast it as just automotive and aerospace OEM prints, but the process is the same, qualification is all the same for OEM. So, what's left, you take OEM print special products out. Then you have all the rest of the fasteners, which are made to consensus standards. Their concern is for the commodity product and I'm suggesting we take the rest of all that product and we divide it into low carbon and high carbon.

So, what's left is the medium high carbon alloy fasteners made to consensus standards sold as a commodity product, rather than as specials that stock items to distributors that maintain off-the-shelf quantities. It's sold for interchangeable uses.

And once again just to be clear, we're not saying that anything but buying OEM is special. There are some OEM products are special. Others, OEM do buy off-the-shelf. So, that would be the universe you have left, would be the -- you'd have three categories -- I'm not saying that somehow the universe is narrowed. The universe would be divided into these three categories for purposes of your analysis. And that's where they compete. That's what they've talked about all day.

MS. ALVES: Okay. Humor me for a minute though and let's not divide the universe in three. Let's just talk about that first line between sort of the specialized OEM and then the rest. So, the rest would include some non-blueprint OEM applications that are not automotive, that are not aerospace. It might be for farm equipment. It might be for heavy trucks. What other applications are we talking about?

MR. PORTEOUS: Construction, which is a huge part of what Nucor does. Basically, what's left is everything that Nucor makes and a whole lot of stuff that Nucor doesn't make, all other low carbon that we've been talking about that they do not make would still be included.

MS. ALVES: Okay.

MR. PORTEOUS: I may be speaking incorrectly here, but I don't think that Nucor makes specials. So, if they do not make specials, all of their -- everything that they do make would still be included along with a lot of -- a whole lot of stuff that they don't make.

MS. ALVES: Okay. And there are other domestic producers in addition to Nucor. Are they making the specials? They are? And we have to define the domestic industry as what's being produced domestically. So, if they're producing the specials, we, also, need to consider what the impact is on them, as well. Are they making the specials and what sort of standard products that Nucor is also making or is there differentiation among those producers?

MR. SCHONHOLTZ: I believe, as Nucor testified this morning, that they are the major standard commercial manufacturer of the fasteners that we're talking about here. The other names that they listed had migrated either to direct OEM sales or to sales to distributors for OEMs and always in this industry we're talking about, whether heavy truck, farm equipment, construction. But the majority of the domestic manufacturers are still here and working. We do have a very large number, by the way, of the market

share for specials. A big reason to buy domestically is lead times, which obviously you know with shipping, our product is -- 95 percent comes by steamship and not by air. So, they have an opportunity there. Also, they focus on short runs, in order to capture that market. So, there's still a big, very big domestic manufacturing market in-house base, as they said, in automotive, they said, and certainly in OEMs.

MS. ALVES: Okay. So these would be the blueprint OEMs -

MR. SCHONHOLTZ: Correct.

MS. ALVES: -- that we're talking about?

MR. SCHONHOLTZ: Correct.

MS. ALVES: So, there is U.S. production of that -

MR. SCHONHOLTZ: Absolutely.

MS. ALVES: -- not be with Nucor.

MR. SCHONHOLTZ: Much larger than the import universe on those parts.

MR. NEELEY: This is Jeff Neeley. One thing we point out, however, is that not one of those other U.S. producers have come in and complained. It's only Nucor.

MS. ALVES: Can you make sure that we're aware of the universe of who those other domestic

producers are? If you can share with us today what their names are, if you could submit those names to us, so that we're aware of who they are?

MR. NEELEY: There are several of them.

MS. LEVINSON: If I could also add -

MR. NEELEY: We can find out.

MS. LEVINSON: This is Liz Levinson. I'd like to add that Mr. Lee testified to the fact that a large portion of his products are patented products. And the name of this case is standard fasteners and by definition, I would submit that patented fasteners are not standard fasteners. But, much of the same reasons that go into Mr. McGrath's analysis of why fasteners meet to specific OEM part numbers should be a separate like product would also include the fasteners to the extent they're within the scope of the investigation -- I'm sorry, patented fasteners to the extent they're within the scope of the investigation.

MS. ALVES: Okay. So the line that we're asking to draw then is if it's blueprinted or patented for an OEM application?

MR. PORTEOUS: Well, made to an OEM specification. Whether there's a blueprint or not, there are OEM specifications for particular parts that are specific. Sometimes there may be a blueprint and

sometimes not. They're made to an OEM part number. I think the exclusion that was drafted by Petitioners was made to an automotive OEM part number. And that's what we're concerned about and that's the specials market that we think is being incorrectly captured in this overall case.

We will try to get -- in response to your question about manufacturers, we'll try to get names of other manufacturers. There are some who haven't paid attention because they don't view themselves as being in the standards business, but probably because they haven't looked at the scope of this and seeing what it captures. Maybe they know, maybe they don't, and they haven't chosen to support it. I don't think they see any value in it. And, therefore, what we're talking about is a petition by Nucor that's directed at those standards. The names of the U.S. manufacturers of specials, I think these gentlemen probably know, can provide that information.

MS. ALVES: That would certainly be helpful. Thank you.

MS. LEVINSON: One more comment on the patented fasteners. Obviously, given that their patented and Mr. Lee testified to the fact that Chun Yu is for these patents exclusive licensee, nobody in

the domestic industry is producing an identical product.

MS. ALVES: Okay. Although the standard that we have to look at is not necessarily whether or not there is an identical product produced by the domestic industry.

MS. LEVINSON: I agree.

MS. ALVES: Could each of the witnesses comment on whether or not they're currently importing from both China and/or Taiwan?

MR. PORTEOUS: We are currently importing from those countries and others.

MR. HILLMAN: Likewise China, Taiwan, Malaysia, India, Canada.

MR. HANSEN: As mentioned in my statement, we import from all over the world, also China and Taiwan.

MR. SCHONHOLTZ: I'm importing standard fasteners, commercial fasteners from China, but anything that has a blueprint or direction of an OEM has been from Taiwan and not from China.

MS. ALVES: Okay.

MR. LEE: I import from China and Taiwan and Thailand.

MS. ALVES: Thank you. Those are all of the

questions I have at this point. If there were questions though that we asked this morning of this morning's panel that we didn't ask you, please feel free to respond to them in your post-conference briefs. And likewise for Petitioner's counsel, if there are questions that we've asked this afternoon that we have not asked this morning, please feel free to respond to those. At this stage, you know, the preliminary investigations are fast, so more information is usually preferred rather than less.

MR. MCGRATH: Thank you. We'll be happy to do so.

MR. DEYMAN: Gerald Benedick, the economist.

MR. BENEDICK: Good afternoon. Thank you for your testimony and I'll be brief. I have a question for Mr. Porteous -- well, actually, a request. Would you, please, if you're able, provide in a post-conference brief distinctions between master distributors and other distributors in the United States, and if you could identify what you consider to be the master distributors, that would also be helpful?

MR. PORTEOUS: I can tell you now if you'd like. A master distributor is someone who buys directly from factories and sells to distributors.

So, we're in between the factories and the distributors. Other master distributors in the United States are members of this coalition that Matt McGrath and his group is representing: Heads & Threads, XL Screw -- who else is in there -- Fastener is also an importer -- I mean a distributor. The differentiation is really who you sell to. Distributors would sell to end users. A master distributor would sell to distributors, who then sell to end users.

MR. HILLMAN: I would, in fact, be a distributor. I mean, I, in fact, do buy products direct from Asia; but, I, in fact, do buy products from Mr. Porteous. He does not buy things from me. I buy things from him.

MR. BENEDICK: The distinction is you sell to retailers; Mr. Porteous sells to distributors?

MR. HILLMAN: He sells to other distributors. I sell to retailers.

MR. BENEDICK: Okay. How many master distributors are there then?

MR. PORTEOUS: In the scope of this investigation -

MR. BENEDICK: Yes.

MR. PORTEOUS: -- and the products that are listed here, there would be less than 10.

MR. BENEDICK: Okay. Thank you. Mr. Hansen and Mr. Schonholtz, would you provide in a post-conference brief a time and cost involved for an OEM to approve a vendor for an OEM specified part?

MR. HANSEN: Yes, we can make an overview of that.

MR. BENEDICK: Okay. And it could be a range, if that works out best.

MR. SCHONHOLTZ: The description in the statement of four months to two years was accurate, but we can be more specific.

MR. BENEDICK: Okay. And if you could get a cost estimate, as well, that would be helpful.

MR. HANSEN: I think the cost estimate is interesting because it's most tied to labor costs on the manufacturer's side -- on the OEM manufacturer's side for him to approve that and some products are more complicated. And as I said before, they sometimes also need field testing -

MR. BENEDICK: Sure.

MR. HANSEN: -- before you send it in.

MR. BENEDICK: I presume that some firm purchasing the standard fastener that's not an OEM part, grade two, grade five, grade eight, they don't go through that approval process?

MR. HANSEN: Some doesn't. Some, they have additional requirements, too. It's a standard, but it has to have this and this requirements.

MR. BENEDICK: But then do they approve vendors for that like the OEMs do?

MR. HANSEN: Some does.

MR. BENEDICK: Okay. If you know of some that do, can you give a cost and time estimate for them, as well?

MR. HANSEN: Okay.

MR. BENEDICK: Mr. Lee, I think you mentioned that there were Buy America policies or practices.

MR. LEE: Yes. This came about trying to understand the funding of the Recovery Act. It appears -- this is on a casual investigation that when the Recovery Act of 2009 was passed, part of that package was a Buy American Act.

MR. BENEDICK: Well, for the period of investigation, could you specify again in a post-hearing conference brief the uses and types of customers that have or are subject to Buy America laws, practices, or policies for the standard fasteners that we're talking about that you're aware of?

MR. LEE: Yes.

MR. BENEDICK: Okay. Thank you.

MR. MCGRATH: Can I, also, offer a comment on that, because it's been raised in a couple of context? There is a Buy America requirement. The general Buy American Act requirement, it's been around for several years, I think has become less of a factor in many procurements over the years. You heard Nucor this morning say that they did not run into any what they felt was a Buy American preference. But, the stimulus bill this year, that was passed earlier this year, was very specific, $878 billion in stimulus money that went into infrastructure development, bridges, highways, buildings. The definition is very broad as to what is covered. The Act -- the money in the Act was then -- is then funneled either through direct procurements by the Federal Government or through State municipal agencies and the State municipals are implementing Buy America restrictions under a guidance that was issued by OMB. The Federal agencies, Federal procurements are under Federal Acquisition regulations.

My point to all of this is that the Buy American requirements, which included an opportunity for waivers, to the best of my knowledge, no general

waivers have been issued by the implementing agencies for fasteners or for nuts and bolts, for any particular kinds of projects. There may be waivers at an individual contracting level, but these are iron, steel, or manufactured products. As iron and steel products, they automatically qualify for the Buy American restriction that was in that law. And this is a protected market. It's available to domestic manufacturers unless there's a specific waiver granted on a project. The only way I can see where it would not apply to a procurement that involved fasteners is if someone were three steps down the line and were manufacturing a product using the fasteners. But in many cases, for direct construction projects, fasteners are part of the materials delivered to the site. They're construction materials covered by Buy American preferences.

MR. BENEDICK: Mr. McGrath, in a post-conference brief, if you could, maybe in collaboration with Mr. Hansen and Mr. Schonholtz and others, especially the ones that deal with the end users, like the OEMs and others, provide some estimate of what this Buy America policies, laws, and practices, what effect it has had on the domestic industry during the period of our investigation? I think the Petitioners

mentioned they really didn't know, because they sold to distributors. So, they weren't familiar with how the end users were restricted.

MR. MCGRATH: We do know that some of those distributors did maintain a line of domestic product in order to satisfy Buy American projects. A couple of them are involved in our representation. What we can do is estimate, at least the folks that we are working with, we can estimate what the effect has been. It's very difficult to -

MR. BENEDICK: I realize that; just a ballpark figure of how much in the market might be affected by this Buy America.

MS. LEVINSON: Mr. Benedick, I would just like to add that Mr. Lee did discuss the experience he had. It's anecdotal in nature and I don't know how much you can conclude from it. But, nonetheless, it's a case where a contractor was seeking fasteners and came to him and said, I'm going to need fasteners from you. And they started negotiating prices and then the distributor -- or the contractor got back to him and said, oh, sorry, sorry, it's a Buy American project, so I won't be able to buy from you.

MR. BENEDICK: Well, if he could identify in a post-conference brief the individual and the

circumstances, certainly specific information is also very good -

MS. LEVINSON: Okay.

MR. BENEDICK: -- even though it's anecdotal.

Mr. McGrath, the Petitioners indicated this morning that they were able or did product some of the low carbon standard fasteners. Your clients are asserting that they don't produce those. Would they produce those on the same equipment that they made the grade fives and the grade eights?

MR. MCGRATH: I believe that our group is in agreement that they could produce grade twos, if they so desired to, if they felt that it was economically efficient and viable. What we have said is that we believe that this is not a recent development. The withdrawal of domestic producers from the low carbon market happened a long time ago, before this period of investigation we're looking at. Theoretically, they could make the product and they do advertise that they're offered at special orders. So, I have to believe them. But when the question was asked this morning, I think I heard the witness from Nucor say we could make them. He didn't say that they did. He said “we could.”

With respect to -- well, let me ask Mr. Schonholtz to answer that question with respect to nuts.

MR. SCHONHOLTZ: As they indicated this morning, they did have a nut factory, which they closed many years ago. According to the scope right now, all nuts, cold form or hot form, are included in this action. So, we all scratch our heads, who is going to make these nuts. They're coming to this country from Canada, as well as from the countries you mentioned here. So, even though they mention low carbon, we like to talk about low carbon bolts is separate from low carbon nuts.

MR. BENEDICK: Okay. Let me ask Mr. Porteous, since you've seen factories all over the world. If you're producing the low carbon bolts on equipment that you usually produce the higher carbon bolts, are your costs higher to produce that low carbon than somebody, who just has a factory making low carbon bolts?

MR. PORTEOUS: Yes, in that you've probably got more expensive equipment and so the depreciation, amortization, et. cetera, is going to be higher. You've got all this other equipment that is used to make the heat-treated product, the annealing furnaces.

There are very large heat-treating lines, et cetera, et cetera, which are not used and so that part of your plant is -- you can't take those costs, those depreciation/amortization costs and throw them under the low carbon.

But let me, also, say that over the years, the grade two, SAE grade twos is a diminished market completely, not just from manufacturing in the United States, the sales of which have dropped substantially and been replaced by ASTM A-307 grade A, which is a hex bolt. The hex bolt is not as good a product. In certain ways, as a cap screw, it has a lower tensile strength. It doesn't have a washer face. It doesn't have a chambord point. So, it's not quite as sophisticated a part, if you will. All cap screws coming into the United States today, except from countries that are protected, have an eight percent duty. Hex bolts have a zero percent duty. So, Nucor would have an automatic eight percent disadvantage if they tried to produce hex bolts here in the United States.

MR. BENEDICK: Thank you. And that's all the questions I have. Thank you, panel, very much for your testimony.

MR. DEYMAN: Gerald Houck, industry analyst.

MR. HOUCK: I have just one question by way of clarification. You gentlemen all spelled out a number of countries from which you are importing. I just wanted to make sure that the countries you were spelling out were countries from which you're importing subject product for this, as opposed to dog tags or whatever. I'm hearing yeses across the board? Those are the countries for the subject products?

MR. PORTEOUS: As a little bit of a clarification, though, there is a major manufacturer of structural product in Korea and Korea is not listed here. So, they would -- if you were to impose a significant duty on structural product coming from Taiwan or China, that Korean factory would have a distinct advantage. There is also a major grade five manufacturer in Thailand that would have a distinct advantage because they've been left out of the scope of this.

MR. HOUCK: Can you identify those two corporations?

MR. PORTEOUS: Korea Bolt.

MR. HOUCK: And what's the one in Thailand?

MR. PORTEOUS: And Tycoons.

MR. HOUCK: T-H-A-I -

MR. PORTEOUS: T-Y-C-O-O-N-S, Tycoons. They

fancy themselves to be tycoons.

MR. HOUCK: Thank you, very much. I have no further questions.

MR. DEYMAN: John Ascienzo, auditor.

MR. ASCIENZO: Thank you, very much, for your presentation and your answers. And I have no questions.

MR. DEYMAN: George Deyman, Office of Investigations. Given that you're proposing, I guess, three domestic like products, the problem is we have no data on any of them. Do you have a solution?

MR. MCGRATH: Well, as I was saying previously, I think you do have some data on the specials, on the product that's made because we've submitted data in accordance with the breaks that you established in the questionnaire initially for modified standard fasteners, fasteners that are made to a consensus standard, but also have some modification to them. So, you have some data there. The CSSF for trade for import data captures everything and you don't have differentiation there.

Now, are you asking with respect to the data or with respect to how you would define these? You had the question previously, how would this be enforced and how would that work at the Commerce

Department and how would Customs enforce it. That, I think, could be -- a bright line could be converted into language, which would be enforceable just as the exclusion of product that is made to an OEM part for a particular application could be specified. I think the bright line for low carbon product is even easier. It would be product that's made to one of these specifications and the importer has to certify and be able to demonstrate it's to that specification regardless of the HTS. So, that, I think, is doable.

The bigger problem, I agree, yes, you have to figure out how to deal with the data and some of that data problem is addressed in the questionnaire. Some of it, I think, is going to be -- some estimates have to be made and a comparison with Census data between submitted questionnaire data to get a comparison of trends.

MR. DEYMAN: Our data problem is not only on the import side, but it's on the domestic side, too, because if the Commission were to find three separate domestic industries, for example, we don't have any financial data for each of those industries. I'm simply pointing this out, which is obvious to all.

MR. MCGRATH: I think that also part of the problem with getting domestic industry data on the

special fastener side comes down to finding the other participants. I don't know who is submitting questionnaire answers, but the other participants in the domestic industry are more likely to be reporting what is the financial performance of their production of specials, since nobody is really selling -- there's some small production of commercial standard pipe in the market. The vast majority is going to be coming from Nucor. I think that there are ways to differentiate to get this data, to get it divided up in a way that you can analyze. The divisions make sense and the line is clear.

MS. LEVINSON: Mr. Deyman, if I could make a suggestion. I don't believe it's unheard of for the Commission to send follow-up questions, asking for, if not revision of the data, at least some clarification with respect to the data, and you may consider taking that approach.

MR. DEYMAN: We'll take that under advisement. At a minimum, though, for all of you who import from Taiwan and/or China, could you, in the post-conference brief, give us at least an estimate of the share of your imports separately from Taiwan and China, by quantity and value?

MS. LEVINSON: That's in the questionnaire.

MR. DEYMAN: Well, that consists of say grade two and consists of OEM non-automotive, non-aerospace OEM. That is not in the questionnaire, I believe. So that would be helpful. And we will take your suggestion, Ms. Levinson, under advisement.

MS. LEVINSON: Thank you, Mr. Deyman.

MR. MCGRATH: If I could just add, though, on that point, quite seriously, Mr. Deyman, it is frustrating at the outset of an investigation to be encountering changing scope. It's always a problem if you were to try to defend a case and say there should be these like product changes. It's doubly frustrating to say there should be like product changes, but the scope is different on day 10 than it was on day one and you've already designed a questionnaire in a certain fashion. I think the Commission has always done a good job of trying to get follow-up data. It's a difficult job for you, I know, but it is extremely unfair, I think, for a scope to be defined in some fashion that's overly broad, have it changed later on, and basically put you at a disadvantage with respect to setting up segregated shares. And the result is quite possibly a very broad impact on industries and users that may or may not be around at the end of the game. Maybe the scope will

be defined in a different fashion. But in the meantime, a much broader industry gets impacted that otherwise needs to. And I think part of this is simply because overly broad definition at the outset. So, I think it is fair to the industries affected, the importers, the OEMs, everybody in the United States and abroad, for the staff to do its best, as it always does, to try to differentiate data on a basis that makes sense on the legal standards.

MR. DEYMAN: If for some reason the Commission does not find separate domestic like products, is there an issue here of attenuated competition under conditions of competition; that is, is it possible that the imports from China and Taiwan are not competing to a great extent with the domestic product?

MR. MCGRATH: I think that's a fair observation. We think there are bright lines to set up separate like products. But, when you look at the bulk of the product based on questionnaire responses, you'll find that imports from China tend to be more low carbon product, which is not competing directly with Petitioners or with the domestic industry. They are not selling in that market, although they claim to be able to. They're not realistically going to be

selling very much in that market no matter what happens in this case. So, there's attenuated competition at the lower end -- the low carbon end of the market.

MR. PORTEOUS: I can say that my opinion, if the scope does not change and although carbon continues to be included in this and ultimately gets duties placed upon it, when that happens, the supply chain in this country for fasteners is going to be in total chaos.

MR. DEYMAN: Well, again, please in your post-conference brief give us your best estimates of low carbon imports and of OEM, not aerospace and automotive, by country, quantity, and value.

MR. MCGRATH: We will do. Thank you, very much.

MR. DEYMAN: Ms. Levinson, do you agree with the three like products?

MS. LEVINSON: I do, Mr. Deyman. And I would just add to it that I believe the patented fastener should be with the same like product as the OEM specific, specific designed fasteners.

MR. DEYMAN: All right. Mr. Hillman, you mentioned that you import from Canada, Malaysia, and India, perhaps others, as well as from China and

Taiwan. Are the prices being offered by the Canadians, Malaysians, and Indians similar to or above or below those from China and Taiwan, in general?

MR. HILLMAN: I don't buy high alloyed products from China. I'm buying all of my grade fives and eights either from Taiwan or Canada and they are very competitive with the -- the Canadian suppliers are very competitive with my Taiwan source. So, I'm not buying any fives or eights from China, never have.

MR. DEYMAN: All right. That's helpful. Mr. McGrath, you represent, I believe it's 11 firms, which are importers of the subject merchandise. Have all 11 submitted their questionnaire responses?

MR. MCGRATH: I believe we submitted five -- six. I'm sorry, Mr. Brophy -

MR. BROPHY: Steve Brophy. We submitted six yesterday and one this morning and we are working on the others -- or they are working on them.

MR. DEYMAN: And my final question is, are there any country of origin markings for these products? I noticed what the Petitioners passed around earlier, even on the large fasteners, I didn't see any special markings.

MR. MCGRATH: I think our resident expert on marking, head marking and origin marking is probably

Mr. Schonholtz.

MR. SCHONHOLTZ: I, also, had some bolts to bring down, but at the airport, they decided to take them from me. Yes, the majority of the bolts we're discussing have a manufacturer's ID, either by initial or symbol, on the top of the bolts that you would see would identify the manufacturer. It doesn't identify the country, but there's a trace back to that country by registering that manufacturer's mark in this country.

As far as the boxes that we bring in, country of origin is on every box that we bring in. They're mostly all palletized, but every box does indicate country of origin.

MR. DEYMAN: Good. I have no further questions. I appreciate your responses and I would like to especially thank Mr. Chen, who came all the way from Taiwan. It's helpful to have you here. Thank you. Does any other staff member have a question?

MS. ALVES: Sorry. I know it's been a long day. Mary Jane Alves from the General Counsel's Office again. One quick follow-up question. You mentioned that in the event that there were orders placed on imports from Taiwan and China, you

anticipated that Thailand Tycoons and Korea Bolt would have an interest in coming to the U.S. market. What is it about the U.S. market that would entice them to come here? Is it the size of the market? Is it relatively larger than the markets? Is it because the Asian market is not attractive?

MR. PORTEOUS: Both companies already compete with their Taiwanese and Chinese counterparts for business in the United States. But, since duties would only be imposed on factories -- or product coming from factories in Taiwan and China, they would have a distinct advantage and would obviously take advantage of that.

MR. SCHONHOLTZ: Also, at this point, Thailand does not have duty on cap screws, where Taiwan and China does.

MS. ALVES: So, Thailand already has an advantage then.

MR. SCHONHOLTZ: Yes, they do.

MS. ALVES: Okay. And how large are the -- these are individual producers in both of those countries. Are they that large that they could come in at the same level as the importers from China and from Taiwan? Do they have that much excess capacity?

MR. MCGRATH: I think that from what we've

discussed about alternative supply -- our knowledge of alternative suppliers out there, none of them have immediate sufficient capacity to fill the entire amount that would be vacated by -- that would be previously served by China and Taiwan. Certainly at the low end, the low carbon product that we're talking about, the capacity for domestic producer and the desire for domestic producer to suddenly start producing the quantities needed for Hillman Group or one of the big purchasers, it really boils down to is there going to be -- we heard a discussion this morning, well, if the price is high enough, people will do it. But, is it going to be that high that it's going to justify a leap of commitment for production to a production that no longer makes economic sense to make in the United States? The alternative suppliers probably don't have immediate capacity to serve all the need in the United States. They would certainly make an effort to expand capacity, I'm sure.

But the more important question is would there even be alternative domestic supply for a lot of this product? Would it be offered at higher prices? Would it even be there? Domestic capacity is limited to start with, but would it be a high enough price to

even make it worthwhile for Nucor to be selling grade twos? That's a big question mark.

MR. SCHONHOLTZ: I would also like to add that Canada doesn't have restrictions, does not have duty into the United States on the cap screws. So, they would be on a par with Thailand and have the advantage over China and Taiwan on this product.

MS. ALVES: And are the two Canadian produces producing the low carbon or the specialty OEM product?

MR. SCHONHOLTZ: I believe they've gone out of the low carbon market, too, but still at grade fives, medium carbon, and high carbon. And Fastco is not only a producer. They're also an importer, so they're basically bringing in all the low carbon on an import basis and they're manufacturing the medium carbon, high carbon, and alloy. But, there's not nearly enough capacity. Under current economic conditions, it wouldn't be so bad. But, I think things are going to start to turn around here a little bit in the spring. Some people might disagree with me, but, presently, inventories are very low in this country, so it's not going to take much of an impact of improved business conditions that there's going to be some shortages out there.

Korea Bolt in good times would probably be operating at 85 -- 80 to 85 percent capacity. So, there's not a whole lot of additional capacity for them to pick up in the structural bolt business, structural bolts being used in construction of high rise or whatever. That business is not very good right now. But if it was good, there would not be nearly enough capacity.

Tycoons is a pretty large manufacturer, but could they replace Taiwan as a supplier of grade five cap screws? Absolutely not.

MS. ALVES: Okay. Thank you. Those are all of the questions I have at this point.

MR. DEYMAN: Thank you, again, for your testimony. At this point, Mr. Price, Mr. Pickard, would you like a two- or three-minute break before you come up for your closing statement? A couple of minutes? Two minutes.

(Whereupon, a short recess was taken.)

MR. DEYMAN: We're all ready here. Mr. Pickard, you have 10 minutes, closing statement -- up to 10 minutes.

MR. PICKARD: Good afternoon. This is Dan Pickard of Wiley Rein and I promise I'm not going to use all 10 minutes. I'm going to be fairly concise in

my remarks.

First off just to revisit very quickly what Petitioner's panel told you this morning. They told you that this was a commodity product and sold predominantly on the basis of price and that they've seen increasing competition over the past couple of years, including losing customers, decreased production, which is translated into entry of the workers, and that it poses future threat of injury, for example, the discussions regarding diminishing capital expenditures. I think what I've been most pleasantly surprised by is after listening to Respondent's panel, I counted 10 major points where we either agree with Respondents or they've conceded our points.

Number one, Respondents, as well, referred to the products here: basic cap screws, structural bolts, TCs, the nuts, as commodity products.

Two, they've conceded that there's overlapping channels of distribution. As a matter of fact, the largest master distributor in the United States testified that he buys both domestic and foreign structural bolts, the subject merchandise.

Respondents, also, conceded that Nucor can make number twos and that they would -- could have an

economic incentive to do so. What they failed to acknowledge was that Nucor sold grade twos to Porteous during the period of investigation. Not only can they make them, but they do make them and they do sell them.

It was conceded during Respondent's panel that Nucor's Conway plant closed to imports competition. Well, we'll leave that to speak for itself.

Again, Respondent's don't appear to contest the domestic-like product in regard to the six millimeters and over or the 32 millimeters and under.

Mr. Hansen appears to concede that auto -- those producers who make fasteners for the automotive and aerospace industry truly are separate industries. We agree.

Respondents testified to the fact that U.S. producers were essentially forced to abandon grade two production, by and large, under what was called "simple economics," which I think is just shorthand for dumping.

Number eight, it was conceded that Taiwan is predominantly export-oriented with 90 percent of its production dedicated to exports.

Number nine, it was conceded that there's

cross-ownership between Taiwan's operations and Chinese operations.

And number 10, Respondents' witnesses testified to massive foreign capacity.

So with that, as far as what was agreed on. There's still a couple of issues that we obviously have not had a meeting of the minds. There was testimony, I think, mischaracterizing Nucor's position, indicating that they believed that Nucor wouldn't produce grade twos if given the opportunity and that really was just a natural evolution for them to leave the market. Nucor's capacity utilization rates are -- this is proprietary, but they're included in the questionnaire response. As you heard Tom Miller testify today, if an order was placed for grade twos at a reasonable price, Nucor would accept them.

We disagree with some of the domestic-like product arguments. I think that making the argument that a grade two, there's a bright line between that and a grade five and a grade eight would be difficult to prove under the six-factor test. That is truly, and it's almost the epitome, of the sliding scale or the continuum of product based on quality distinctions.

Similarly, the argument that there should be

a separate domestic-line product for fasteners going into OEMs that are not aerospace or automotive, we not only disagree with, but the domestic industry disagrees with. The leading trade association for fasteners, the IFI, identifies three types of producers: industrial producers, automotive, and aerospace.

And then of course, there's the issue of whether there's been an injurious effect on domestic producers, as a result of increased imports. As we've talked before, I think as a legal matter, the American Lamb Standard always compels an affirmative determination, even setting aside Respondent's arguments for three domestic industry definitions. Just the holes in the data, I think, would require an affirmative determination. But more than that, the evidence of record clearly meets the legal standard for a reasonable indication of material injury. Nucor is essentially the last man standing in this industry. They've produced testimony and their financial performance indicates injury due to imports.

There have been discussions in regard to how it's affected their production workers. And under the relevant statute, injury to the workers is also sufficient for an affirmative determination.

But, to get to the heart of the matter, these are tough economic times. There is no question, and I don't believe any reasonable mind could question the proposition that but for the presence of subject imports, Nucor would be doing fundamentally better. The Department of Commerce has initiated the cases against China and Taiwan with substantial dumping and subsidy margins. But for the presence of these imports in the United States, Nucor's production, profits, sales would all be better and all of this is material.

So, keeping that in mind, we just respectfully submit that the Commission make an affirmative determination in this case. And I thank you for your time.

MR. DEYMAN: Thank you. Mr. McGrath?

MR. MCGRATH: Thank you, very much. I think you do have a difficult case before you. Much of this was the result of the way it was filed and the way it was -- the product was defined by the Petitioner. But, nonetheless, you're required by the law to do take your best shot. And the Commission always -- the Commission staff always does take a tremendously huge leap and covers a lot of ground in 21 days or whatever it is. I'm always amazed. Thank you, very much, for

the effort that you're putting into this and we're doing our best to try to support you as much as possible to give you the data that would be essential for you to make this decision. We know it's a challenge to make product differentiation, especially when the scope keeps changing.

You've just heard from Petitioners the old last man standing argument. I think that that kind of is an umbrella over all of the points that they're seeking to make. You wouldn't dare let this case collapse when they're the last ones out there. Look at how many producers there are in China. We'll expand the scope of coverage here, to make sure we're covering low carbon product that nobody is going to make here. And that assures us that you'll have a big produce import volume from China, as well, and all the data show in a recessionary market that there must be some kind of impact, adverse impact from imports.

The fact is the data do suggest quite the opposite. I was surprised to bee the strength of this company. When you look at the financial information, they're doing quite well. Right up until the end of last year, when the recession started the beginning of this year, they had a very favorable financial performance, I think one that any of my clients here

would have been thrilled to see.

So, where does that leave us? I think it leaves us with a company that is seeking to take advantage of the economic downturn, to be able to say, look, sales and production went down, everything went down, don't allow imports to add to this burden that is part of the decline, without taking any notice of the fact that imports have declined right in conjunction wit the market. I think that you'll find the data proves otherwise than what Petitioner is putting before you.

There were a couple of points I heard this morning that I would like to clarify. One of them, an allegation that Nucor -- I think that they were legitimate questions asked about lost sales allegations. It was a statement by Nucor that they had dropped Heads and Threads -- that Heads and Threads have dropped them as a suppliers. Heads and Threads is one of our clients and part of this group. Heads and Threads did previously buy from Nucor. Their last purchase as prior to the period of investigation here. Earlier this year, Heads and Threads reached out to Nucor and asked if they could reestablish a relationship. They wanted to buy from Nucor. Nucor said that they would not do so. They

were not interested in talking with Heads and Threads about a new relationship. So, we'll provide what information we can on the other allegations of price reductions and possible lost sales. But, that's one example that I need to correct for the record. The truth is the opposite: Heads and Threads actually reached out and tried to establish a relationship and was rebuffed.

We heard this morning that they had reduced prices twice in the last year. What wasn't clear until later on, I think, was the admission that prices went down and steel prices went down. They were extraordinarily high, steel prices last year. Everybody has cited that and that's the reason that you have high levels of both imports and reported domestic sales and high average unit values, especially. This is an unusual case where imports are being blamed for causing injury, when they have not only a decline in volume, but continuing high average unit values showing up in the Census data. It's tough to get your hands around, you know, what's the sub-unit or the subcategory of Census Bureau data that we're looking at. But, that's an observation that can't be avoided.

The other point that I wanted to make was

with respect to what Mr. Schonholtz discussed on the nut business. The cold form nut business was really no longer in the U.S. industry. When Nucor bought the plant in Arkansas to make cold form nuts, they were doing what I think was described earlier this morning with respect to fasteners in general was they were going against the trend. Well, they were not only going against the trend, they were doing something that nobody who is evaluating it would have done, is to go into a nut business that was not in the United States at all. That whole process, buying that plant, finding that they couldn't make enough money on it and selling it, that has nothing to do with imports that are the subject of the complaint here. That just has to do with a decision that I think is a pattern of Nucor, wanting to be in a standard -- a basic commodity low end standards market in the United States that all other suppliers decided to get out of quite some time ago. And you heard from Mr. Porteous, Mr. Hillman, they've been around the industry a long time buying from fastener producers around the world, including from the United States. They've seen the same thing. The changes in the economic structure of the industry have been such that it made no sense to continue producing at the low end. And it won't, even

with an antidumping investigation. What it will do is simply impose new costs on consumers.

Finally, with respect to OEMs, I think I just heard Mr. Pickard say that Mr. Hansen had conceded that automotive and aerospace are a separate industry. I'm not quite sure what he's referring to, but what we were proposing and laying out for you was an argument for why automotive, aerospace, and any other products made to OEM specifications are a separate industry. That industry, we concede with them -- we agree with their arguments that were laid out in their petition and we'll restate them all in our brief with respect to OEM standard -- OEM specification parts, those that are made to an OEM part number. There is nothing special or different about automotive and aerospace fastener producers. That is not true of production for John Deere, production for OshKosh, production for any of the big manufacturers, who have specific qualification and specification requirements. Any one of those is always going to reference a consensus standard.

I think what the Petitioners seem to care about in defining and refining this scope was more a matter of avoiding circumvention by having a scope that's written in such a way where an importer could

simply get somebody to -- instead of buying a product that's made to a particular specification, A-325 hex structural bolt, the importer would order it to that A-325 and ask the manufacturer to stamp it with an OEM part name or something. I don't know. I think they were concerned about circumvention. They certainly don't seemed to be concerned about the OEM specific part business. So, that market should be recognized as separate and should be divided up. That is the one place where you do have some data to help you divide up based on the foresight of staff and making sure you ask questions about modified standard fasteners, in addition to the others.

And there is one other item I wanted t mention before I go. They've indicated a couple of times that the IFI, by having three divisions set up, one for automotive, one for aerospace, and one for industrial fasteners indicates that the IFI, that the industry recognizes automotive and aerospace as separate special apart, I think implicitly then, than any other OEM manufacturer would not be considered special and different from automotive and aerospace. When you take a look at those divisions, the industrial division is not just for commercial standard fasteners. The description of the industrial

division of the IFI includes OEMs and other part manufacturers, as well. I think what they're really trying to get at is what the IFI defines as a commercial fastener, rather than a standard of modified standard. A commercial fastener is a fastener manufactured to the requirements of published standards or documents and stocked by manufacturers or distributors. That's clearly, I think what their concern is. Just because something is a standard fastener doesn't mean that it's not also made to a specification and that it's special and has additional requirements.

So, in conclusion, we do think there's a good basis for these multiple end product designations. We'll provide as much data as we can to support it. We believe that this is simply an opportunistic case to seek to impose price increases unnecessarily due to the occurrence of a recession at this moment and for no other reason. And we ask that the Commission vote in the negative and end this case now. Thank you, very much.

MR. DEYMAN: Thank you, Mr. McGrath. On behalf of the Commission and the staff, I want to thank the witnesses, who came here today, as well as counsel for helping us gain a better understanding of

this product and the conditions of competition in the industry. Before concluding, let me mention a few dates to keep in mind. The deadline for the submissions of corrections to the transcript and for briefs in the investigations is Monday, October 19. If briefs contain business proprietary information, a public version is due on October 20. The Commission has tentatively scheduled its vote on the investigation for November 6. It will report its determinations to the Secretary of Commerce on November 9. Commissioners' opinions will be transmitted to Commerce on November 17th.

Thank you for coming. This conference is adjourned.

(Whereupon, at 2:25 p.m., the hearing in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Standard Steel Fasteners from China & Taiwan
INVESTIGATION NO.: 701-TA-472, 731-TA-1171-1172
HEARING DATE: October 14, 2009
LOCATION: Washington, D.C.
NATURE OF HEARING: Preliminary

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: November 2, 2009
SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

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

SIGNED: 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: Micah Gillett
Signature of Court Reporter