UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	**Investigation Nos.:**
CARBON AND ALLOY STEEL THREADED	)	**701-TA-618-619 AND**
ROD FROM CHINA, INDIA, TAIWAN,	)	**731-TA-1441-1444**
AND THAILAND	)	**(PRELIMINARY)**

Pages: 1 – 111
Place: Washington, D.C.
Date: Thursday, March 14, 2019

Ace-Federal Reporters, Inc.
Stenotype Reporters
1625 I Street, NW
Suite 790
Washington, D.C. 20006
202-347-3700
Nationwide Coverage
www.acefederal.com

UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
CARBON AND ALLOY STEEL THREADED	) 701-TA-618-619 AND
ROD FROM CHINA, INDIA, TAIWAN,	) 731-TA-1441-1444
AND THAILAND	) (PRELIMINARY)

Hearing Room B
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, March 14, 2019

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

APPEARANCES:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Tyrell T. Burch, Program Support Specialist

Douglas Corkran, Supervisory Investigator

Keysha Martinez, Investigator

Daniel Matthews, International Trade Analyst

James Horne, International Economist

David Boyland, Accountant/Auditor

Patrick Gallagher, Attorney/Advisor

Embassy Appearance:
Taipei Economic and Cultural Representative Office in the United States
Washington, DC
James, Chih-tang Tsai, Economic Division

Opening Remarks:
In Support of Imposition (Luke A. Meisner, Schagrin Associates)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:
Schagrin Associates
Washington, DC
on behalf of
Vulcan Threaded Products, Inc.
Dennis Black, General Manager, Vulcan Threaded Products, Inc.
Alan Logan, Customer Service Manager, Vulcan Threaded Products, Inc.
Brent Jenkins, Bar Mill Product & Marketing Manager, Vulcan Threaded Products, Inc.
Walter Gross, President, Bay Standard Manufacturing, Inc.

APPEARANCES (Continued):

Roger B. Schagrin, Elizabeth J. Drake and Luke A. Meisner - Of Counsel

Interested Party In Opposition:

Ying Ming Industry Co., Ltd

Kaohsiung City, Taiwan

Carol Liu, Project Manager

Rebuttal/Closing Remarks:

In Support of Imposition (Elizabeth J. Drake, Schagrin Associates)

I N D E X

P R O C E E D I N G S

9:30 a.m.

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

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's conference in connection with preliminary phase anti-dumping and countervailing duty Investigations No. 701-TA-618 through 619 and 731-TA-1441 through 1444, concerning Carbon and Alloy Steel Threaded Rod from China, India, Taiwan and Thailand.

My name is Douglas Corkran. I'm the supervisory investigator and I'll preside at this conference. Among those present from the Commission staff are, to my far right, Ms. Keysha Martinez, the Investigator; Mr. Patrick Gallagher, the attorney. To my left Mr. James Horne, the Economist; Mr. David Boyland, the accountant and auditor; and Mr. Daniel Matthews, the Industry Analyst.

I understand that parties are aware of time allocations. Any questions regarding time allocations should be addressed to the Secretary. I'd remind the 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 beginning your presentations or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting testimony. Are there any questions?

(No response.)

MR. CORKRAN: Mr. Secretary, are there any preliminary matters?

MR. BURCH: Mr. Chairman, I'd like to note all witnesses have been sworn in. There are no other preliminary matters.

MR. CORKRAN: Very well. Let us begin with our first Embassy witness, Mr. Tsai.

MR. BURCH: Our Embassy witness is James Tsai, with the Taipei Economic and Cultural Representative Office in the United States. Mr. Tsai.

STATEMENT OF JAMES CHIH-TANG TSAI

MR. TSAI: Thank you, good morning. So my name is James Tsai. I'm from the Taipei Economic Cultural Representative Office in the United States. So on behalf of the Taiwanese government, I would like to thank you for the opportunity to make this brief statement regarding the anti-dumping investigations against carbon and alloy steel threaded rods from Taiwan.

Taiwan is deeply concerned about a possible imposition of anti-dumping duties on carbon and alloy steel threaded rods from Taiwan, and would like to make the four points, the following four points.

First, any injury suffered by the U.S. domestic markets has not been caused by Taiwan. It appears that this petition is targeting imports from one country in particular, the volume of which is far greater than that of imports from other countries being investigated. The imports have increased by approximately 100 percent over the Period of Investigation, which is far greater than that of those from other countries that is being investigated.

It is Taiwan's position that any injuries suffered by the U.S. domestic market has not been caused, but rather by imports from these other particular countries on the investigation.

Second, Taiwanese producers should be excluded from the scope of investigation. Taiwanese products differ from U.S. product in terms of production processes, physical characteristics, end uses and interchangeability. Taiwanese products utilize multiple station co-forging machines in order to produce steel threaded rods with more elasticity, which are used in applications require higher elasticity, such as automobile engines.

This means that Taiwan-produced steel threaded rods are not interchangeable with those produced by U.S. firms, which do not produce this type of product. Additionally, Taiwanese products are generally of specific quality, and Taiwanese producers often customize their

products in accordance with the design of U.S. buyers.

This type of customization business model has not and will not cause injury to the U.S. domestic market, which focuses on the general commercial market. Moreover, leading Taiwanese producers have entered into long term supply contracts with well-known U.S. motor companies. This type of business model benefits both Taiwanese firms and the U.S. businesses. It does not negatively impact the domestic producers of the United States. Consequently, Taiwan urges the Commission to exclude Taiwanese producers from scope of investigation.

Third, since cumulation is inappropriate in this case, Taiwan's imports should be excluded from injury analysis. We believe that cumulation is inappropriate in this case. Therefore, Taiwan's exports should be excluded from injury analysis. As previously noted, Taiwanese products do not compete with the U.S. products, because they differ in terms of production processes, physical characteristics, end uses and interchangeability.

Taiwanese products are also generally of specific quality, and are often customized to meet customer specifications. Moreover, the imports from China and other countries under investigation are very divergent. The volume of the United States imports from China increased by nearly 100 percent over the Period of Investigation, from

64.3 million to 125.4 million pounds per year.

On the other hand, import from Taiwan remained stable from 2016 to 2018, at approximately 41.5 million pounds per year. One last point. Taiwan has reinforced our mechanism in monitoring any illegal transshipment to the United States, especially on the steel products, and especially when we monitor any abnormal increase in Taiwan's imports volume.

Taiwanese government has also worked very closely with our industry associations to eliminate any illicit transshipment. Moreover, our government has been calling upon our companies not to engage in dumping, illegal transshipment or using false certificate of origin or any other evasion and custom fraud actions.

So in light of these factors, Taiwan urges the Commission to forego the cumulation in this case, and exclude Taiwan's imports from injury analysis. I'd like to thank the Commission for taking into the consideration of my statement of position to this investigation. Thank you very much.

MR. CORKRAN: Mr. Tsai, thank you very much for your statement. We sincerely appreciate it. Let me turn to my colleagues to see if there are any questions for you.

(No response.)

MR. CORKRAN: No? We have no questions, Mr.

Tsai. We very much appreciate your testimony here today. Thank you.

MR. TSAI: Thank you.

MR. CORKRAN: If there are no additional matters, we can begin with the first panel. Mr. Secretary, will you introduce the first panel?

MR. BURCH: Opening remarks on behalf of those in support of imposition will be given by Luke A. Meisner, Schagrin Associates. Mr. Meisner, you have five minutes.

PETITIONERS' OPENING REMARKS

MR. MEISNER: Thank you. Good morning Mr. Corkran and members of the Commission staff. My name is Luke Meisner from the law firm of Schagrin Associates. I represent the Petitioner in this case, Vulcan Threaded Products. Today, you will hear how the domestic industry invested in Vulcan during a time when demand for carbon and alloy steel threaded rod was increasing.

But despite a renewed emphasis on productivity, efficiency and Vulcan's workforce, and despite this increasing demand for their product, Vulcan experienced declines in its financial performance over the Period of Investigation. The reason is simple. Unfairly traded imports from China, India, Taiwan and Thailand.

As I am sure you're aware, this is not the first time this domestic industry has had to seek relief from

unfair trade. In April 2009, an anti-dumping duty order was issued against carbon steel threaded rod from China. Since that time, the Chinese producers have shifted from carbon products to alloy products.

In fact, Commerce found that certain Chinese producers circumvented the dumping order by shifting to alloy products. In addition, in 2013, the domestic industry filed petitions against imports from India and Thailand. Commerce found dumping and subsidization, but the Commission reached a negative determination.

Today, the need for relief from these countries is even more compelling. For example, when the prior petitions were filed in 2013, imports of carbon products from India and Thailand had peaked at 47 million pounds. Last year, imports of carbon products from these two countries reached a new high of 65 million pounds.

All of the statutory factors that the Commission considers in its injury determination have been met for this case. On volume, the first point to make is that subject imports are fungible with each other and the domestic like product, and they are present in the same markets through the same channels of distribution at the same times all over the United States.

In short, subject imports, including those from Taiwan, compete with each other and the domestic like

product and should thus be cumulated for the Commission's analysis. Looking at subject imports cumulatively, from 2016 to 2018, subject imports increased by over 40 percent in absolute terms, and increased their share of the U.S. market to absolutely jaw-dropping levels.

Subject imports captured market share by persistently underselling the domestic like product, and this underselling unquestionably had an effect on price. As you will hear from the witnesses today, because of low-priced subject imports, Vulcan could not raise its prices to keep pace with increases in its raw material costs.

That leads us to the impact on the domestic industry. Consider these facts. During the Period of Investigation, Vulcan's production and U.S. shipments lagged behind growth in demand in the U.S. market. Because it could not raise prices to cover increased costs, Vulcan saw declines in its gross profits, operating income and net income.

Vulcan purchased production equipment and assets in 2017 and developed plans to use that equipment for a second facility. Unfortunately, that equipment is sitting in storage unused. Finally, you will hear from a witness from another domestic producer, Bay Standard, testifying that his company has been forced to import products instead

of making them in its facilities on the west coast.

Why? Because import prices are lower than the domestic industry's cost of manufacturing. Subject imports also threaten additional injury absent relief. Foreign producers, which number in the hundreds, have massive capacity and receive large export subsidies that encourage them to target the United States. Left unchecked, they will continue to surge into this market, capture market share and the domestic industry's performance will continue to deteriorate.

In sum, you are going to hear today how the domestic industry has already been materially injured by subject imports, and is threatened with additional material injury if no relief is provided. Based on this evidence, we respectfully ask that you reach an affirmative preliminary determination for these investigations. Thank you.

MR. CORKRAN: Thank you very much for your presentation. I believe we have no respondents to present?

MR. BURCH: No respondents to present.

MR. CORKRAN: We'll begin directly with the first panel then.

MR. BURCH: The first panel in support of the imposition of anti-dumping and countervailing duty orders has been seated, and they have 60 minutes for their direct testimony.

MR. SCHAGRIN: Thank you Mr. Secretary, and thank you Mr. Corkran and members of the Commission staff. For the record, my name is Roger Schagrin of Schagrin Associates, and we are counsel to Petitioner Vulcan. We would like to begin our testimony this morning with Dennis Black, the general manager of Vulcan Threaded Products. Mr. Black.

STATEMENT OF DENNIS BLACK

MR. BLACK: Good morning Mr. Corkran and the members of the Commission staff. For the record, I'm Dennis Black. I'm the general manager of Vulcan Threaded Products. Vulcan is a division of Steel Dynamics, which purchased the company in August of 2016. Since that time, we have purchased major equipment and assets of Acme All-America Threaded from its principal place of business in Indianapolis, Indiana in August of 2017.

I will discuss this further later. I have been in the steel industry for 28 years, including 17 years with Steel Dynamics. I'm accompanied today by Alan Logan and Brent Jenkins, my colleagues at Vulcan. Vulcan was founded in Birmingham, Alabama in 1978. It is our only facility. Besides threaded rod, heat-treated and cold-finished bars are our only other products at that facility.

We have developed plans for a second facility to produce threaded rod using the additional equipment that we

purchased, but we have been unable to follow through on those plans because of the surge in low-priced imports. To produce threaded rod, we purchase carbon or alloy rod in the open market and bring it into our facility.

Small diameter products are uncoiled. For larger diameters, we buy straight bars. In all cases, we then draw it, straighten it and then cut it to length for our customers' needs. We then take it into the machines, where we thread the entire rod. Then much of the product is either hot-dipped galvanized or is ink-plated. Alloy products are also heat-treated, and are some medium carbon products. The products are then packaged and shipped.

Threaded rod is used primarily in construction to hang all manners of products for cable trays, lighting, pipe, air conditioning and vents, or to hold down things such as pipelines. The use of carbon and alloy threaded rod overlap. But like all steel products, flat-rolled, plate, bar, alloy with its higher cost is used when customers need more strength.

Alloy can usually be substituted for carbon, and imported alloy is so cheap that it is in fact a substitute for domestic carbon rod. Within our first year in business after SDI acquired Vulcan, we were disappointed with our volume and decided we could increase our volumes and get more pricing power. We purchased the equipment and much of

the business of Acme All-America Threaded at their largest plant in Indianapolis, Indiana.

After this purchase, we planned on installing this equipment to increase production. Instead, we have only been able to increase production on our existing facility, on our existing equipment, but we have not been able to use the newly purchased equipment. Based on our market information and available Customs entry data information from subscription services, we know that virtually every U.S. producer besides SDI is a major importer of threaded rod.

We cannot hold this against them because the subject imports are available at less than domestic producers' cost of production. Vulcan does not import carbon and alloy threaded rod. The primary channel of distribution for threaded rod is through nationwide large distributors of the range of construction projects.

The biggest among them are companies such as Fasten-All, Granger, Ferguson and Thomas and Betts. These companies are large, international and have strong purchasing power. They do and will negotiate directly with their suppliers. Then there are smaller regional supply houses located in various parts of the country. The big box hardware stores are smaller parts of this supply chain.

This is because threaded rod is not commonly

used in do-it-yourself projects. Instead, it is used for industrial buildings, high rises, hospitals and various commercial construction applications. Our raw materials are far and away our largest share of the cost. As a processor, we don't just get to pass along our raw material costs.

Prices for threaded rod are set by supply and demand for the finished product. In 2018, our costs went up dramatically. We attempted to raise our own prices to cover these costs, but these efforts failed because subject imports were available in such large quantities at much lower prices.

As to our raw material purchases, while SDI produces bar, we purchase all of our own steel raw materials on an arms length basis from whichever domestic supplier has the lowest delivered price to our plant. In fact, the majority of our steel purchases come from suppliers other than SDI because they have freight advantages.

Vulcan is a stand-alone profit and loss center. Vulcan's previous cases covered only carbon threaded rod. When SDI began to focus on the import problems in the threaded rod market, we brought a fresh look and new counsel to analyze the issue. Let me briefly explain why we believe carbon and alloy threaded rod are one like product.

First, we make carbon and alloy in the same plant in Birmingham. Second, we use same or similar

machines to produce both alloy and carbon threaded rod with the same processes. Third, the uses are similar along a continuum with the alloy, as in all steel products being used in applications that are more critical.

Fourth, the same suppliers sell us carbon and alloy raw materials. Fifth, almost half of our customs buy both carbon and alloy rod from us, excuse me customers buy both carbon and alloy threaded rod from us. Finally, our prices for alloy are higher than our prices for carbon. Subject import prices for alloy threaded rod are often similar to our carbon prices.

Vulcan is a great company located in the Southeast, and it has access to the Southwest as well. These regions have outpaced the overall U.S. market in terms of construction growth. SDI brought to Vulcan a renewed emphasis on productivity. SDI has a compensation system based on team output.

I can tell you that our associates at Vulcan make significantly more than they did before. We also share eight percent of our pre-tax corporate profits with our associates as profit-sharing bonuses. SDI wants to make significant additional investments in addition to the 2016 and 2017 investments in Vulcan's business. However, that requires a return on investment compared to other investments SDI could make. The return is simply not there,

as long as aggressively priced imports continue to distort the market.

Without a doubt, we are sure that imports of the carbon and alloy threaded rod have a higher share of the domestic market than any other steel product SDI produces. SDI has never been afraid of competing on a level playing field. On behalf of all of our associates at Vulcan, we ask you to make an affirmative determination.

MR. SCHAGRIN: Thank you, Dennis. Our next witness is Alan Logan, the Customer Service Manager of Vulcan Threaded Products.

STATEMENT OF ALAN LOGAN

MR. LOGAN: Good morning, Mr. Corkran. For the record, my name is Alan Logan, and I'm the Customer Service Manager at Vulcan. I've been with Vulcan for 33 years, and I was involved in the other two cases that Vulcan brought on threaded rod in 2009 and 2013.

As the Commission is aware, the China dumping case on carbon rod was successful. However, after the successful China case, we had to attack instances in which alloys were added to the carbon product to circumvent the duties. We did one circumvention petition on boron, but we haven't had the time or money to chase every one of the dozen alloy elements that can be added to the carbon steel to avoid the anti-dumping duties.

In the meantime, imports of alloy steel threaded rod from China have more than quadrupled since the order was imposed on carbon steel threaded rod. Unfortunately, we were unsuccessful in our 2013 case against Thailand and India at the Commission. As can been from our petition, imports from these two countries peaked at 46.5 million pounds in 2013, when we filed our petitions.

They have only grown since that case has ended, reaching 65.4 million pounds last year. Our parent company, SDI, strongly supports President Trump's Section 232 duties to remedy the damage to the steel industry and help address world steel overcapacity. Both threaten our national security.

Unfortunately, as a very small segment of SDI, our threaded rod products fall outside of the Section 232. This has made import competition even worse. In fact, the current import situation for carbon and alloy threaded rod is the worse I've seen in my career.

Obviously, we believe the record bears out that unfairly traded imports from China, India, Taiwan and Thailand are injuring the domestic industry. Because of import pressures, our previous owners, who were also the company's founders, were unable to invest heavily in the business. Our entire workforce was happy to see the company acquired by SDI, which had such a good reputation for

operational excellence in the steel industry.

Our positive views were reinforced by SDI's willingness to tack on another purchase within a year of acquisition, to acquire the major threaded rod business assets of Acme All-America Threaded Rod. Unfortunately, while we did pick up a decent chunk of All-America's business, our plans to operate their equipment at a second Vulcan location did not come to fruition.

Instead, we just used more of our own equipment and have simply put their equipment into storage at our facility. Dennis has spoken about the channels of distribution for thread and rod, where we compete head to head for imports. Threaded rod is a commodity product with common specifications for both domestic product and subject imports.

This main business is done on the basis of price. Subject import prices have been significantly lower than Vulcan prices, which explains how they were able to see such a high share of the market. By the way, because major national distributors such as Fasten-All and Granger often act as importers as we have pointed out in the petition, it is critical for the Commission to get an apples to apples comparison in order to compare domestic prices and subject import prices at the same level of trade.

We were thus very pleased to see that the

Commission requested that both domestic producers and importers report their pricing data on sales to distributors. If an importer who may act as its own distributor was instead allowed to report their first sale to an end user or contractor from a distribution center, it would result in a distorted comparison that understates the full extent of the underselling in the market.

We do not sell to end users or contractors directly, and our sales to distributors should be compared to importers' own sales into the same channel. This aggressive price undercutting has directly harmed our company, as can be seen in the numerous lost sales and lost revenue allegations contained in the petition.

We know that our profit margins are abysmal. As Dennis stated, our small Vulcan company is at a crossroads. Without import relief, it is likely that the threaded rod part of our business will have to be shut down, and we will only be able to continue in the bar business. With relief, we can grow by investing in under-utilized assets, expand our geographic reach and increase our employment.

On behalf of everyone at Vulcan, we hope the Commission allows us to pursue the second path. Thank you.

MR. SCHAGRIN: Thank you, Alan. Our next witness is Walter Gross, the president of Bay Standard Manufacturing. Wally?

STATEMENT OF WALTER GROSS

MR. GROSS: Good morning Mr. Corkran and members of the Commission staff. For the record, my name is Wally Gross. I am the president of Bay Standard Manufacturing. Our manufacturing facility is in Brentwood, California, located in the East Bay area, located in the East Bay area of San Francisco. In addition to our manufacturing plant, we have seven distribution facilities in the western United States.

Bay Standard is a family-owned company celebrating its 60th year in business. We have been engaged in producing threaded rod for the past 50 years. We currently have 150 employees. I've been at Bay Standard for seven years now, but have over 30 years in the fastener industry. We produce both carbon and alloy steel threaded rod. We're the largest producer in the western United States.

We are able to source raw material, round bar and coil from several sources, including Nucor's Arizona and Utah plants, Cascade's Oregon plant, and Gerdau AmeriSteel Texas and Minnesota plants. Recognizing a substantial all thread rod market that we could not compete in with our domestic due to imports being less than our manufacturing costs, we started importing both carbon and alloy threaded rod in 2015. Today, import rod makes up ten percent of our

sales.

How do we still manufacture anything in the face of this low-priced import competition? The potential for catastrophic earthquakes along the Pacific coast has played to our advantage. Building codes have changed and include engineered seismic tiedown systems which main component is all-thread rod.

Essentially, all-thread rod is used from the anchor bolt to the top of the structure, giving the building support in the event of an earthquake. Last minute job site changes and specific material and handling requirements have helped us compete with imports. But recently, imports of threaded rod from China and Taiwan in grades used in this application have been coming in and threatening our ability to compete.

So why am I here? For the bulk of the west coast market, Bay Standard simply cannot manufacture carbon and alloy threaded rod and sell to distributors against imports. We use imports to fight other importers. That has come at a cost to Bay Standard. Last year, we had to eliminate an entire threading line used to roll smaller diameter, because we simply could not compete against imports.

To be able to sell our manufactured all-thread rod, importers have forced us to become a manufacturer that

has to offer value-added services such as specialized handling, labeling and assembly. This has had negative effects on the company with increased overhead and reduced margins.

We are excited and optimistic for the potential of relief from low-priced imports coming into the United States. I have spoken with the ownership of Bay Standard. They are willing and able to make significant investments to increase our production capacity to meet any demand. For these reasons, we wholeheartedly support these cases and ask you to make an affirmative injury determination.

MR. SCHAGRIN: Thank you, Mr. Gross. Mr. Corkran, while that concludes the direct testimony, industry would be happy to answer your questions. I just thought I might spend a minute or two, I'm sure there will probably be some questions on the cumulation issue with Taiwan, based on the economic minister's opening statement.

But I just thought I'd give an overview on this issue, based on the record that's been developed thus far, primarily based on our preparation of the petition. First, we believe based on information we've received from Vulcan for the preparation of the petition that a Taiwanese producers has a supply agreement with one of the two largest importer-distributors in the United States for commodity, basic spec carbon alloy threaded rod.

Secondly, as you just heard in Mr. Gross' testimony, just since the beginning of 2019 a Taiwanese producer has begun supplying the specification that complies with the seismic codes in California to a distributor on the west coast. So that's more recent and it's really since your end of 2018. But it shows the interest of the Taiwanese industry in supplying the same types of products produced by both other subject producers and the domestic industry.

So even if, and there certainly are probably some specialized products being imported from Taiwan, we believe that Commission will find that there is sufficient quantities of the imports from Taiwan, which overlap with imports from the other subject countries, and with the domestic industry in order to make an affirmative cumulation finding.

And in fact, the Commission had to address the similar issues of cumulation and specialized products being imported from a country, versus more commoditized products in its final determination of Cut to Length Plate From Austria, et al., which was 12 countries, as to one or two of those countries who claimed that most of their imports were of products that did not overlap and we'll be happy in our post-conference brief the Commission's analysis on cumulation in those cases.

We believe that at the very least, the imports from Taiwan will easily meet the criteria that the Commission applied in its final determination in the Cut to Length Plate cases. With that, we've used much less than our 60 minutes, but that completes our direct testimony, and we'd be happy to answer the Commission staff's questions. Thank you.

MR. CORKRAN: Thank you very much to the entire panel. We appreciate you being here today, and found your testimony particularly helpful. We will begin our questioning with Ms. Keysha Martinez, the Investigator in this investigation.

MS. MARTINEZ: Good morning. Thank you for your testimony and for being here today. I have a few questions and I apologize if I kind of jump around a little bit. Just as a preliminary matter, is there anyone major missing from the U.S. producer-importer data sets?

MR. SCHAGRIN: Elizabeth, do you want to handle that?

MS. DRAKE: Yeah, thank you. Elizabeth Drake, Schagrin Associates. Acme All-America Threaded, which is the company that Vulcan purchased assets from in 2017, is an important producer that needs to be included in the data set, because obviously any changes they've experienced would be balanced out by changes that Vulcan has experienced. So

to get a full picture, we think it's important to get a response from them.

There are a couple of significant importers that their names at least don't appear on the EDIS docket. Prime Source is one, and Industrial Threaded Products is another. But we'd also like to review confidentially. If there's any additional we'll identify for the staff, either directly or at post-conference.

MR. SCHAGRIN: And Ms. Martinez, this is Roger Schagrin. Can I add? So it's very important that the Acme All-America Threaded information is included hopefully for this preliminary, if not certainly for the final, because as you heard in the testimony, about two-thirds of the way through your POI Vulcan purchased probably more than half of Acme's production assets.

So given that, it's a given that Acme, which prior to that purchase would have been the second largest producer in the U.S. industry, would have had a very steep decline in production after they sold more than half their assets, and Vulcan would have had, as you heard, an increase as the purchasers of the assets and in fact purchased some of Acme's business in fact.

So we think to get the full picture of the domestic industry and appropriate trends in domestic production, shipments, profitability, but also the

appropriate trends in import market share, that it's important if you can to obtain that particular domestic producer's data.

MS. MARTINEZ: Thank you. Since you've sort of gone over a little bit of the acquisition of assets, can you just kind of walk me through? Have there been other major consolidations or acquisitions that you're aware of in this industry during the Period of Investigation?

MR. BLACK: I'll at least start. Again, my name is Dennis Black, a general manager. But I've only been at Vulcan a couple of years, but obviously we purchased the portion of Acme, again over half. But you know, there were Acme combined how many, four companies? I believe Acme, I mean originally bought four and made them All-America. So but that was done prior to me getting into the industry.

I think that -- and they kind of consolidated a lot of those at their Indianapolis plant. So when we purchased that, we kind of acquired maybe three or four other little companies that came together. But other than that, I think the big three for, you know, All-America, Vulcan and then Bay Standard were really the majority of that.

MS. MARTINEZ: And that's been the case during the Period of Investigation?

MR. BLACK: Yes.

MS. MARTINEZ: Even before then also?

MR. BLACK: Do you have anything to add?

MR. LOGAN: Ms. Martinez, Alan Logan. Most of that consolidation occurred after our China case. That's when Acme started acquiring some of the other smaller companies that were financially not doing well because of the imports. I don't think that there was another acquisition or major consolidation during the Period of Investigation, other than our purchase of the assets of All-America.

MS. MARTINEZ: Thank you, and related to those assets, can you just elaborate a little bit on what the motivation was. Was it because it was rising demand or, you know, what were the reasons behind that?

MR. BLACK: I mean I think the main part was again to try to acquire volume, right. We believe again to, you know, there's always the economy of scale, the productivity efficiencies, and I think that we knew that All-America was struggling and that they were probably looking for somewhat of a plan. I don't want to speak for them, but obviously they sold for a reason.

And so I think for us, it was economy of scale and to try to pick up a larger piece of the market. We felt that was a way for us to continue to be viable.

MS. MARTINEZ: Thank you. so can you go over

what alternative products you produce on the same equipment? How easy it it to shift production to those alternative products, and what are the factors that would motivate such a shift?

MR. LOGAN: Alan Logan again. There's really only one type of other product that we manufacture on that same equipment. It's a stainless product. I believe I filled out that portion of the questionnaire, and it was -- basically it's easy to shift from carbon and alloy to stainless from a standpoint of it's the same diameters, so we can thread it on the same equipment.

But the stainless market is fairly small, especially the demand for domestic stainless is pretty small. So we sell what we can and we produce what we can, and we have extra capacity anyway. So we can shift it, but there's not a max capacity on stainless because we would never reach it, because there's just not that much demand for stainless in the United States.

MR. SCHAGRIN: And needless to say that --

MR. LOGAN: Compared to alloy and carbon.

MR. SCHAGRIN: Roger Schagrin. I would just add that I believe there's an overlap between carbon and alloy and the price differentials been alloy and carbon just reflect the additional alloying elements. So they are not insignificant but not very significant. Stainless is more

than double the price of alloy. It's a huge difference because of the chrome and nickel, which are extremely expensive compared to the small amount of alloys.

This Commission has I know recently found in its final determinations on large diameter line pipe from several countries that carbon and alloy line pipe were one like product, and stainless line pipe or stainless large diameter pipe was a separate like product, and I think a lot of your basis was different uses, but also a tremendous differences in prices.

MS. MARTINEZ: Just to sort of backtrack a little bit, I'm just going to ask a couple of data-related questions. Do you believe that official import statistics are the most accurate measure for this product?

MS. DRAKE: Elizabeth Drake, Schagrin Associates. Yes, we do. There's three HTS categories that we included in the petition. The first two, the continuously threaded categories would be pretty much 100 percent subject merchandise.

The third category, which is non-continuously threaded rod, since our scope covers anything that's threaded up to -- unless it's 25 percent or less. The vast majority of that is also subject. So we believe official import statistics are a very good basis.

MS. MARTINEZ: So you do believe that that third

HTS number is mostly subject imports?

MS. DRAKE: Yes. We believe any amount that's threaded along less than 25 percent of its length would be very insubstantial.

MS. MARTINEZ: Thank you, that's very helpful. What about Global Trade Atlas data? Are they accurate enough to portray global export trends or is the category too broad?

MS. DRAKE: Elizabeth Drake, Schagrin Associates. I guess we have to look at that post-hearing. Obviously, it would be a little bit too broad, but maybe we can dive into that more post-conference.

MS. MARTINEZ: Thank you. That will be very helpful. So according to our preliminary data, the number of workers actually increased during the Period of Investigation. How should this be interpreted based on the arguments you've been making?

MR. SCHAGRIN: Well, this is Roger Schagrin. I'll start and then Dennis might add to it. But once again, I think you have a little bit of a skew because certainly All-America Threaded would have had a steep reduction in their workforce because Vulcan purchased all the assets of their largest plant. So essentially in picking up All-America's business, Vulcan was able to increase its number of workers, even though it didn't, was not able as it

originally planned to actually use those assets.

It was able to increase its workforce and the amount of time worked in its production by virtue of picking up the extra volume from that purchase. Dennis, would you like to add to that.

MR. BLACK: Yeah. I was obviously involved in the acquisition and visited the plant a couple to times. I believe that at least, even though I have not been back since, that that plant's not running. All those people do not work in threaded rod in Indianapolis. For us, we probably added a few people on second shift, added a few workers to offset, you know, to bring that volume to Vulcan.

Also, obviously the economy did get better in '17 and '18. So you know, there was that. But a lot of it was just the assets of the production from the acquisition.

MR. GROSS: Walter Gross. I'd like to add to that. As I mentioned in my testimony, I've had to add services along with my manufactured rod, which is very labor intensive to get it to market, which shows up as in our manufacturing labor overhead. But it actually is not directly related to the production of the rod. It's the sub-assemblies that we create after that that's affected our, as mentioned our overhead and our profitability to compete.

MS. MARTINEZ: Thank you.

MR. MEISNER: I'll just add one thing. This is Luke Meisner from Schagrin Associates, and I think Mr. Black touched on this. But if you look at the overall trends, as Mr. Black just testified, demand for carbon and alloy steel threaded rod was going up, and so you might see some of that, just taking the data at face value.

But if you look at other data points such as production and shipments, they lag behind the increase in demand for the product. So there is injury there as well.

MS. MARTINEZ: So as you mentioned in your testimony, U.S. producers importing, directly importing this product seems to be pretty common. Can you tell me a little bit more about why that is?

MR. GROSS: Wally Gross, Bay Standard. Since I am one of those producers that does that, it is -- there is -- it's very frustrating as a manufacturer trying to grow sales when you run into so much being used in the market that there is no way I can produce it and make a profit in selling it to that market.

In my business world, so an importer of standard nuts, bolts, washers that augment our all-thread broad lines, so we're already an importer. So it just made sense for us to either walk away from -- the choice is to walk away from a potential sale or try to compete on the west coast, especially on smaller diameter all thread rod.

So the choice was to help grow sales. It's just a simple business choice. Would I rather be producing it myself, adding to my production capacity myself? Absolutely. And that's just the beginning and the end of it.

MS. MARTINEZ: So you're saying a lot of it is the smaller diameter that you're -- that's more commonly imported?

MR. GROSS: In my market, the larger diameter is being used more for the seismic application that I mentioned. With the lead times being so short, it gives me advantage to supply that market. On more common sizes, it becomes a commodity. it's based off of just importing inventories and selling off of your inventories, and keeping the inventories coming in, if that makes any sense.

So I am an advantage with larger diameter against imports, just because of lead times and changing in the jobs. That's pretty much it.

MR. SCHAGRIN: Ms. Martinez, this is Roger Schagrin. I know you haven't asked it yet, but I know someone on the Commission staff will ask this question.

But just in case, I'll preempt it. That is that because it's all based on confidential information, we will make arguments in our post-conference brief as to whether and which members of the domestic industry that are also

significant importers should be excluded from the domestic industry by reason of the significance of the imports of subject products.

MS. MARTINEZ: So when we're talking about carbon versus alloy, galvanized versus non-galvanized, can you tell me a little bit more about that? What is the most common in the U.S.? Is there a preference? What, how do the applications differ among the different products, and how do the imports play into that?

MR. JENKINS: This is Brent Jenkins at Vulcan Threaded Products. Repeat your question one more time? I was writing.

MS. MARTINEZ: It's, you know, when we're talking about the different comminations of the threaded rod, carbon versus alloy, galvanized versus non-galvanized, electroplated I think --

MR. JENKINS: Right.

MS. MARTINEZ: Can you just elaborate on, you know, the differences, what's more common in the U.S., what do you produce the most, what are the imports coming in, how do they compare?

MR. JENKINS: The carbon and alloy are both very similar. Really it depends on what the engineer down the road is spec'ing out. So like a zinc plating is just the electro-galvanized. It's just pretty much giving a cleaner

finish that hot tipped galvanized is going to give -- it's better for a corrosive environment. And then the heat treating is just adding strength.

So for the alloy, the alloy steel is better for the heat treating process, but they're all used in very similar applications. Essentially they're just, they're being used to fasten whatever they're hanging, whatever they're tightening. So they're very common, but then the plating aspects and the strengthening aspects of the alloy are just playing into whatever end use they're going into.

Percentage-wise, I would say they're very -- for us, I'll tell you hot tipped galvanized is a smaller amount, maybe seven to ten percent of our sales. For zinc plating, it's probably over half. Definitely the vast majority would be zinc, but quite a bit of that as well.

MS. DRAKE: Ms. Martinez, Elizabeth Drake of Schagrin Associates. I think you'll see that the imjports also cover the waterfront in terms of the different alloy carbon, the different types of coatings or finishes.

Obviously you see imports coming in under both the carbon and alloy categories from the four countries, but also staff did a good job of collecting information from importers on the type of coating and from what we've seen, there's a broad range both domestically and on the import side.

MS. MARTINEZ: Do you see a strong preference for imports for a particular country, you know, one of the products over the others?

MR. JENKINS: I think, you know, because there's already a dumping order, this is Brent Jenkins with Vulcan. Because there's already a dumping order on carbon products from China, it sort of eliminates some of their carbon shipments. But there seems to be a good volume of both carbon and alloy coming from most of these countries.

MR. SCHAGRIN: Yeah, and this is Roger Schagrin. It's like de ja vu all over again with the plate case, where there had been an order on carbon plate, and then we had a lot of imports in the alloy category and just some in carbon.

And that is, you know, with these imports from China, which I think was in the opening statement of the gentleman from Taiwan, which are the largest imports even though there's a dumping order on carbon, no one ever knows what the imports from China that are being classified as alloy, how much of those are real alloy or they're actually being imported as alloy, even though the mill test certificates are just for carbon specifications.

But they may have added trace elements of some alloy in order to avoid the anti-dumping duties. So very, very similar from what I understand from talking to Vulcan

about the marketplace. Very, very similar to the Cut to Length Plate case where we saw a lot of alloy imports from China that were really being sold as meeting carbon specifications.

MS. MARTINEZ: Thanks. Looking at the import data, you know, sort of alluding Mr. Tsai's testimony earlier or statement, how do you reconcile sort of, you know, there does seem to be a large increase in imports from China and to some extent India. But for Taiwan and Thailand it's less so. You don't see as marked of an increase.

So you know, how do you -- how would you characterize those and why, why aren't you seeing as much of a surge for those countries?

MR. SCHAGRIN: This is Roger Schagrin. I mean it's pretty easy and it happens often in these cases. So we try to eliminate the Commission's future work, as well as our own future work. I know it sounds funny coming from a lawyer, to say we want to eliminate some of our future work, but we have families too.

So I mean yes, there are different trends in the imports, but we know from the marketplace that because the imports from Thailand and Taiwan are being sold to the same customers in general as the imports from India and China, there's no doubt in our mind that not only are these imports high and already injurious, certainly on a cumulative basis,

but that if we were to obtain relief from India and China, we would see instead of the benefits going to the U.S. industry, we would see a big increase in imports from Thailand and Taiwan, and then we'd be back here again saying now these imports are increasing. We'd have to file new cases.

So the fact that their imports are high, we believe they have excess capacity. They sell the same products. They're cumulatively injuring the U.S. industry. The Commission certainly, once it cumulates, doesn't have to see the same trends in imports from all of the subject countries.

MS. MARTINEZ: Thank you. I have no more questions at this time.

MR. CORKRAN: Thank you, Ms. Martinez. We will now turn to Mr. Gallagher.

MR. GALLAGHER: Patrick Gallagher from the General Counsel's office. Thank you for (off mic). Okay, is that better? Okay. My first one, I only have a few. My first question is with respect to substitution.

I'm going to presume, and of course you'll correct me if I'm wrong, but I'm presuming that for pretty much all the carbon applications you can use an alloy, right, use the hot rod? To use the expression "hot rod." You use the hot one to substitute for the lower one, let's

say.

How far down does that go, or how far down can it go in terms of pricing, right, because you're saying you have to have the more expensive alloy in there in order to meet the spec? So there has to be some point along the substitution range, where the alloy just becomes too expensive for the carbon application, you know. Roughly, how far does that go down as a practical matter?

MR. LOGAN: Alan Logan, Vulcan. Let's see if I can get to the heart of your question. From Vulcan's standpoint, and as a domestic manufacturer, because alloy is more expensive, then obviously and everybody's concerned on price, then every buyer would have a certain price point that they would not be willing to pay alloy pricing for a product, for a carbon use.

What's been so concerning and so surprising to us is how the alloy and carbon pricing from overseas has converged. I mean they're almost interchangeable, which is from a domestic producer's standpoint pretty shocking to us, simply because in the domestic market there is a price difference. We do pay more material, more cost for alloy versus low carbon. I hope that answers your question or addresses it.

MR. SCHAGRIN: So Mr. Gallagher, let me take a shot. Roger Schagrin. So in terms of the physical ability

to substitute, I think you hit it on the head at the beginning. In almost all applications, a customer can use alloy instead of carbon. The reverse is not true from an engineering perspective. If the engineer says you've got to have an alloy product, then you've got to have an alloy product.

What's happened in the marketplace is that not only has import alloy displaced domestic alloy sales, but import alloy has displaced domestic carbon sales because import alloy prices are so inexpensive. So if I offered you a Cadillac at a Chevrolet price, you'd say I'll take the Cadillac. That's essentially what some of the foreign producers are doing.

In the past, and I have to check on it, maybe we can address in our post-conference brief, China's export rebate program was skewed in a way that they gave a higher export rebate for alloy rod or bar, the two raw materials here, than they would for carbon.

So you'd see the Chinese producers, in order to get a higher export rebate, wanting to produce the additional rebate was actually more than the additional cost of the alloys. So they were being incentivized by the Chinese government to produce more alloy product, and that might tie into this, that folks are often able to get alloy raw materials from China at less than other worldwide

carbon prices for the same raw material.

MR. GALLAGHER: Thank you, and I'll be interested in hearing what you have to say about Taiwan and the specialty products in the post-hearing or post-conference. Thank you. I only have one other question. With respect to the imports from Thailand, do you have a sense of alloy versus carbon, or do they produce both equally and they export them equally?

JJ As far as we know -- this is Brent Jenkins of Vulcan. As far as we know, there's very a little alloy produced in Thailand. We're only -- based off our market research, we're only aware of one manufacturer, at least major manufacturer in Thailand, and they produce carbon only as far as we're aware. But you know, I think that's just all they produce. That's just what they do.

MR. GALLAGHER: Thank you. That's all I have, thanks.

MR. CORKRAN: Thank you Mr. Gallagher. We'll next turn to Mr. Horne.

MR. HORNE: Are there any common steel price indexes or other benchmarks used by the threaded rod industry for negotiating or setting prices of threaded rod?

MR. BLACK: As far as having a benchmark now, I mean I'd say on the threaded side of the world it's really supply and demand, you know. A lot of times trying to be

competitive with the imports. I'm sure Wally could add something to it. But you know, you look at our bar side of our business, you know, our heat treat bar, the bar side, there are things that you could say scrap pricing. But it does not exist on threaded. I'll let Wally add more.

MR. GROSS: No, I do. Wally Gross, Bay Standard. I do agree with what Dennis shared, and any time I've sought counsel on trying to base my pricing on some form of index, it was basically I was told to steer away from that.

MR. HORNE: Are there any pricing characteristics such as load rating or durability that are not adequately specified in the threaded rod pricing products in the survey?

MS. DRAKE: I think we added threads per inch, which was the one aspect of that from the prior case we thought could be commercially significant and would improve the comparability of the pricing data. But other than that, there was nothing.

MR. HORNE: Are both types of threaded rod expected to have the same price trends?

(Pause.)

MR. SCHAGRIN: Basically yes, similar. I mean only because there's not enough alloying elements that a sharp increase in alloy costs wouldn't change the trend,

unlike stainless where sometimes nickel and chrome can move in entirely different ways from scrap or iron ore. But that's not the case here between these carbon and alloy products. You'd expect similar trends.

MR. HORNE: How will the pricing products capture the entire threaded steel or steel rod market?

MR. SCHAGRIN: We should probably address that in the post-conference when we've had a chance to analyze everything. But we believe that at least for Vulcan, one of the pricing products is far and away their single largest volume product. So to that extent, remember there are -- in threaded rod there are a lot of different diameters.

So that, you know, no, part is going to cover the majority of the market. But at least we believe that it's a significant percentage covered by the pricing products, and we can give you further comments on that in our post-conference brief.

MR. HORNE: Sort of a follow-up. We defined all the pricing products as steel rod packaged in cardboard tubes. Do you sell this packaged in a different way or is that just the only way you do it?

MR. LOGAN: I would say probably over 60 percent of our product is probably packaged in cardboard tubes. We do have some customers that would prefer to buy it bulk, without any packaging. So we would ship like a 3,000 pound

bundle to them. Wally actually on the west coast --

MR. GROSS: Wally Gross, Bay Standard. A very small percentage of our product is sold tubed, simply because as I mentioned in my testimony, we do a lot of specialty packaging when we move product. Basically, we ship rod by the job back to a specific job requirement. So it's not really, you know, being sold through distribution for resale in that fashion.

MR. SCHAGRIN: This is Roger Schagrin. You know, after being able to talk to Mr. Gross about Bay Standard, it's certainly a condition of competition that the largest producer on the west coast has been forced out of essentially the normal channels for distribution of selling to distributors and sell to contractors.

He's been lucky to find a niche based on an unfortunate circumstance of earthquakes in California, and a change in the enforcement of the building codes to essentially provide engineering services for a manufacturer and to package products for engineering companies installing the product at job sites for their specific requirements.

It's very unusual in a case that by and large commodity products. I think if you'll see nationwide, as you gather all your data, the vast majority of sales of these products are through distribution to contractors, and yet for Bay Standard, there's almost -- there's very few

sales through distribution to contractors. They're engineering a product to a job site for specific engineering to meet these seismic building codes.

Yeah. However, what you would import is for the commodity distribution business, and probably would arrive, Mr. Gross, in the cardboard tubes?

MR. GROSS: There's two different fashions that the rod is imported in. It's either in cardboard tubes or like a burlap wrap, which most of the west coast prefers because it creates no dunnage.

You can just cut it off and you have access to the rod, as opposed to having to get rid of the tube. So that's how we're importing it. We bring in no tubed, just burlap wrap which is in the west coast the primary method.

MR. HORNE: Is brand recognition or name brand have any significance in the threaded rod market?

MR. LOGAN: I wish it did. This is Alan Logan. I don't believe so. I mean it's not like a branded product, you know, like a Chevy or a Ford certainly. It's a commodity product. I believe probably 25 years ago maybe, when it was primarily a domestic industry. Maybe people preferred. But there wouldn't be a reason they would prefer it from a use standpoint. Maybe they liked us better than competition. But other than that, no.

MR. HORNE: What indicators do you find most

useful in predicting the future demand of threaded rod?

MR. SCHAGRIN: This is Roger Schagrin. It's the normal overall construction indices. These products are overwhelmingly used in the construction of buildings, not homes. But so commercial construction, office buildings, apartment buildings, hospitals, any other multi-story buildings other than single homes.

So the best indicator is the regular Dodge construction reports, or the reports on construction and non-residential construction published by the government. And this is Mr. Black translating here. Mr. Black says that the second use, which was in his testimony, his products are used to tie down pipeline.

So while the number one consuming by far is construction, the second is often pipeline construction, because you use threaded rods to hold down the pipelines in places they're installed. So looking at the health of the energy industry would be a second indicator of demand, after looking at construction.

MR. HORNE: Does threaded rod ever need to be replaced? Does it wear out or have a life cycle?

MR. LOGAN: I'm not an engineer. Alan Logan, Vulcan. I believe certain of the applications probably that are -- that have a half a take factor, where there is machinery that's in motion or is under constant pressure

would probably have to be replaced.

I believe in a lot of the pipelines and refineries, is they go through and they do maintenance. They tend not -- you don't tend to want to replace -- I mean use the same stud again, because once the material has been torqued, you can stretch a little bit. That's the whole idea of how it works.

So once they are moving a piece of equipment, you know, they're going to throw away those studs and start with something fresh so the material would perform properly. So yes. On the other side, on the commercial application where they're hanging HVAC or pipe housing fittings or things like that, more than likely that will go up and never move, unless there is a building renovation.

MR. HORNE: Are there factors that make steel rod from any country preferable for any particular task, or is threaded rod from all places substitutable?

MR. SCHAGRIN: The latter, threaded rod from all sources are substitutable. I mean the products -- we didn't talk about it too much, but there are specifications for these products, both the carbon and the alloy, and every producer has to provide their customers, like virtually all steel products, with a mill test report showing that these products meet the specification.

It's our view, but supported by the marketplace,

that any products import or domestic that meet the specification are substitutable for each other. It's the very reason that the specification agencies with the participation of their users, who help make those specifications, publish the specifications.

MR. HORNE: So last question. We're seeing wide price fluctuations in the pricing data that we received from our questionnaires. Do you have any explanation of why that would be the case?

MR. SCHAGRIN: No, and I'll invite Elizabeth. We're going to comment on that in our post-conference brief. We've also seen a wide price fluctuation and can't quite get our heads around it. Elizabeth, any comments now?

MS. DRAKE: Yeah, Elizabeth Drake. There appear to be some reported pricing that appears aberrational, and so we'd like to walk through post-conference since obviously it's confidential.

MR. HORNE: That concludes my questions. Thank you.

MR. CORKRAN: Thank you, Mr. Horne, and now we'll turn to Mr. Boyland.

MR. BOYLAND: Good morning. Thank you for your testimony. I've sent the companies follow-up questions. A lot of it was BPI, things that I couldn't ask here, so appreciate your time responding. Here, I may have some

questions that are kind of overlapping of those questions, so again if it's a BPI response, please feel free to respond in the post-conference.

With regard to the average sales values that we're calculating during the period, to what extent was there any changes in product mix? And I guess I mean notable changes, because I understand that there would probably be variations.

MR. JENKINS: This is Brent Jenkins with Vulcan. I would say very little change over the course of the period.

MR. BOYLAND: And for Bay Standard?

MR. GROSS: Wally Gross, Bay Standard. I would say we saw significant changes over the period between 2016 and 2018 for the types of products we are manufacturing, getting more into the high alloy all thread rod.

MR. BOYLAND: Okay, and does this relate to the seismic?

MR. GROSS: This relates to the seismic, correct.

MR. BOYLAND: Okay, thank you. And I'm just curious, because the threaded rod seems like a product line that would be, there would be many, many SKUs, just thread sizes, diameters. How many SKUs are there, and I mean would there be a few that kind of account for the majority, or are

we just talking about a lot of SKUs and you have to carry all of them?

MR. JENKINS: There's a lot of SKUs. This is Brent Jenkins with Vulcan. We carry and produce rod at all different lengths, all different diameters, different thread pitches, different coatings, different specifications. So because of that, there's a lot of SKUs. However, there's a consistent -- there's a handful that are always going to be your largest movers, and that's pretty consistent throughout every year.

MR. BOYLAND: Same for Bay Standard?

MR. GROSS: Yeah. Wally Gross, Bay Standard. It is definitely the same. A lot of specialty applications change things, and it's very -- it's very regional, where you might see, you know, a very specific set of inventory groups on the east coast is very different from the west coast.

MR. BOYLAND: Okay, thank you. And just as a general matter, the level of inventory, ending inventory for manufactured threaded rod, was it high, low or about what you'd normally expect?

MR. BLACK: I think for us it was maybe slightly higher and, you know, I think we saw the market healthy and increasing. Unfortunately, we probably didn't get as much as we wanted. So I'm not sure we wanted it to be that high.

MR. BOYLAND: And just as a general matter, for sales in general, I mean are you carrying inventory -- or do sales get made essentially right out of inventory and that's it?

MR. BLACK: Yeah, I think again part of being a domestic guy, you know, compared to an importer, their expectation is we're going to have it or we're going to have it really soon. So you know, on a commodity like Brent mentioned, there's these handful that are the industry standards. If we ran out of that, there would mass disappointment, right.

And so we have those specialty lengths and maybe a diameter not so popular, you know. There may be a couple a week lead time. But how we account for that is normally through just stocking the raw material, because again it is steel.

If it's especially plain it will rust. So you don't want to put too much on your shelf of a plain product because it will rust. They won't be happy with it. So stock the raw, and then you can hopefully turn it quickly.

MR. BOYLAND: But it does sound like the working capital here is pretty significant?

MR. BLACK: Yeah. Our inventory for raw and finished is quite high, especially compared to other Steel Dynamics businesses.

MR. BOYLAND: Thank you. Sort of skipping around here, Mr. Gross you mentioned sub-assemblies in your testimony, and I guess the question is to the extent that you're reporting threaded rod, was there an issue in terms of actually reporting the discrete revenue on threaded rod, if it was part of a sub-assembly? In essence, are the numbers that you're reporting, are they specific to threaded rod, not a sort of broader product?

MR. GROSS: Wally Gross, Bay Standard. They're specific to threaded rod.

MR. BOYLAND: They are. Okay, thank you. And in your testimony, I believe return on investment, return on assets was referenced, and the fact that it's at a point now where it wouldn't justify reinvestment. I guess the question is without, you know, talking about BPI, the trend that we're looking at, is that something that had occurred during the period or after the period or prior?

I guess what I'm thinking is 2016 kind of a benchmark, you know, where I could say that was actually exceeding the level? But after that, it declined below the hurdle rate?

MR. BLACK: Well, I mean I guess my first question is what trend you're talking about? If you're talking about, you know, whether it's pricing, whether it's demand, whether it's profit. I mean obviously in '16, the

price of steel was lower, raw material, which is a huge portion of what we do.

But the demand wasn't near as good, so it's a -- and then obviously in '17 and then even in '18, the demand went way up. We obviously the percentage it went up, we didn't get to actually follow that as a percentage. We didn't get to capture as much as we wanted, even compared to imports.

But you know yeah. In '16, I mean raw material pricing was lower. So even at lower demand, it was a healthier business on the threaded side.

MR. BOYLAND: And sorry, just to clarify. I'm sort of referring to a profit margin as sort of a proxy for getting back to the return on investment and, you know, what you'd be looking at in terms of okay, here's the cash flow on an investment. What's the discount rate, here's my return. Am I actually generating anything that's actually going to exceed that? In 2016, was that number exceeded?

MR. BLACK: Well I mean it --- you know, I mean as far as Steel Dynamics, we acquired it in August of '16, right, and again it was acquired as a whole business, including the bar side. We provided our numbers. I can't say them out here, but obviously the bar side is our more lucrative side by a lot.

And so I mean as far as Steel Dynamics with the

acquisition, and again that's an ROI looking at Vulcan as a whole, you know, as a whole it was looked at okay. But obviously the threaded side, we wouldn't be sitting here today if we thought it was appropriate or where it needs to be.

And also with the acquisition of All-America's product, you know, we have not really done well on that acquisition either. But obviously we started that in every early '16. It closed in August of '17, but you know we started that probably January or February of '17.

MR. BOYLAND: But I guess, you know, just looking at the numbers, it would be I think a reader, given all the facts that you just described, would probably assume that well in 2016, the profit ratio that was being generated was in fact at the level that was consistent with reinvestment.

MR. BLACK: Uh-huh.

MR. BOYLAND: Subsequently it declined, and further reinvestment wasn't -- and deploying those asset themselves wasn't actually justified.

MR. BLACK: Correct.

MR. BOYLAND: Is that fair? Is that correct?

MR. BLACK: Yes.

MR. SCHAGRIN: And Mr. Boyland, this is Roger Schagrin. I think in this particular case, you couldn't

have a better example of imports impacting companies' investment decisions. As Mr. Black testified, when they purchased the equipment from Acme All-America Threaded, they purchased it with the plan of putting that equipment into a second facility to operate that equipment, to produced threaded rod on that equipment, and to supply the marketplace.

The steep increase in imports prevented them from making any investments along the investments they had envisaged at the time of the acquisition, August '17. So I can't think of a case in which imports had more of an impact on a company's investment decisions than this case. And I think it was also Mr. Black's testimony, now as part of a larger steel company, Steel Dynamics would look at the investments in Vulcan's threaded rod business as part of a panoply of all the potential investments for the company.

So they're certainly a company that has always, since their founding, heavily invested. They recently announced a $1.8 billion investment in a new three million ton flat-rolled mill in the Southwest. I would say that's largely thanks to the Commission's work. As you know, we achieved significant relief in the form of anti-dumping and countervailing duty orders on the three flat-rolled products they will make there, corrosion-resistant steel, cold-rolled steel and hot-rolled steel.

So while 232 may be, you know, temporary, those orders will last, and I think that provided a foundation for a very large investment. So they're a company willing to invest. They made investment plans for this equipment, and I mean purchased equipment and a not, given the size of their company, a not insignificant amount of money.

And then having to just put it into storage instead of erecting it and producing threaded rod in it, that is solely because of the extremely large volumes of unfairly traded imports of this product.

MR. BOYLAND: Thank you, and I just in terms of the plant itself, the second facility, it didn't get developed. Was it intended to produce the whole range of what was being produced in the first facility? Was it essentially going to duplicate?

MR. BLACK: Yeah, you know. I'll say 95, 99 percent of the equipment is still in storage, because we didn't want to like say oh, I like that piece better. Let's put it in our existing, because we wanted to keep it as a unit to we could put that somewhere else.

So the plan was to, I don't want to say 100 percent, but 95 percent of the existing equipment, to either put it on a larger facility in the south, you know. Our existing facility couldn't house it. We'd have to invest in a larger facility or, you know, possibly the Midwest. We've

also looked at the Northeast.

And the reason, as you say well why? I mean you have to balance economy of scale. Hey, duplication of maintenance, duplication of safety, accounting if you did a larger plant in the south versus shipments. You know, obviously threaded rod in shipping is expensive. Being near your customers.

So you know, I think if you ask me my feel, I think a second facility probably outweighs having a large facility and shipping it farther. But those will all be looked at, I mean, if we truly believe that's where we need to go on investment. It is to try to weigh those as a large facility and economy of scale versus having two plants being closer to the customer base. But yeah.

MR. BOYLAND: Thank you. I just sort of switching gears, a lot of the discussion is about raw material cost as just sort of a financial reporting. Where were the costs associated with zinc and --

MR. BURCH: Can you please speak into the microphone?

MR. BOYLAND: I'm sorry. The costs associated with the sort of further processing of the raw material, you may not know this off the top of your head, but for the post-conference, could you disclose where those costs are included? Are they part of raw material or are they other

factory?

MR. LOGAN: I think we may want to address this afterwards, but to clarify, I mean they should be part of the cost of goods sold number?

MR. BOYLAND: Yes, and that's I guess for me, when we divvy up the costs and look at a pattern, it's good to understand well, does the raw material itself already include other processing? So to the extent both companies could just clarify what was included? You know, if this goes to a final, we would probably break it out a little more, just so it's not ambiguous.

MR. SCHAGRIN: We'll follow-up in the post-conference, and I'm sure we can assist Mr. Gross and he can provide that information confidentially through us in the post-conference as well. I would assume that the zinc, like the bar or rod, would be in the raw materials, and then the actual cost of hot-dipped galvanizing or electroplating would be in the other factory costs. But we'll confirm in the post-conference.

MR. BOYLAND: Thank you, thank you. Mr. Gross, you talked about engineering expenses and your testimony suggested that the cost was being included as part of manufacturing direct labor. Is that correct?

MR. GROSS: We do not -- Wally Gross, Bay Standard. We do not provide the actual engineering service

to our customers. We supply -- our customer has an engineered design to meet seismic code requirements in construction. So they do the engineering, they tell us what they need, and that's what we supply. So and again, the majority of these systems are all thread rod.

MR. BOYLAND: So you are -- I mean if I'm interpreting your response, sort of the cost of actually fulfilling the order and producing what the engineering specifications require is included, but not the actual engineering itself?

MR. GROSS: Right. The cost associated with that is to now you're taking something that could normally be supplied in a 12 foot length, and you're now supplying it in 10 foot, 8 foot, 12 foot, 6 foot, 3 foot, 2 foot, follow me?

MR. BOYLAND: Right.

MR. GROSS: And then have it packed down by their specific requirements adds labor to the whole equation. So as opposed to me just producing rod and selling it to somebody that could be doing this, I've had to kind of end up going directly to these people that design these seismic programs.

MR. BOYLAND: Okay, thank you, thank you. And just as a -- again, this is definitely something I would want in a post-conference; it's not a response I would

expect here. But could you, for your company in particular, could you give me a schedule of the primary costs that you reported or included in SG&A for your company? Thank you, thank you.

(Pause.)

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

MR. CORKRAN: Thank you, Mr. Boyland, and now we'll turn to Mr. Matthews.

MR. MATTHEWS: Good morning, everyone. Thank you for your testimony here today. My first question is regarding the effects of the Section 232 investigation. So I understand that this product this not subject to the 232, but I was wondering if you could comment generally on what impact the 232 has had on domestic prices and your ability to source wire rod and steel bar?

MR. BLACK: You know, this is Dennis Black. Obviously, with the 232 it's -- our raw material costs are higher. Based on, you know, domestic and even imports, if you were to buy, but we do not. But if we would buy import, it would affect that pricing for our raw materials. But not of course our sale price or selling price.

MR. GROSS: Wally Gross, Bay Standard. Obviously, it had a significant cost impact to our finished product. But as far as the effect on my company in the

market we sell into, it was on a playing -- I was on an even playing field with any other manufacturer that could supply into that, because we're all basing our price on the same source of steel.

So in general terms, the biggest impact for me was availability and getting in the mill rollings, and we had to do a little bit better doing our homework in forecasting our steel requirements, or we were going to have issues.

MR. MATTHEWS: Thank you.

MR. SCHAGRIN: Mr. Matthews, this is Roger Schagrin. So as Mr. Gross pointed out, for the domestic industry, they were all on the same playing field vis-a-vis the 232 as raw materials. But it's important to point out for their foreign competitors, that playing field was very different because producers in these four countries would be incentivized to go downstream into threaded rod and ship threaded rod to the United States, and not have to pay the 25 percent duty, versus if they shipped rod or bar to the United States, 25 percent duty would be imposed.

So there's little doubt, particularly from threat maybe as a condition of competition as well, that this product being one level removed from the 232 tariffs and having its raw material subject to 232 and its product not subject, has had a significant impact on this segment of

the industry.

MR. MATTHEWS: Thank you. Mr. Gross, as both a domestic producer and an importer, I was wondering what extent has the Section 301, of the ten percent tariff under Section 301, impacted your ability to source from China, and has that affected plans for producing more domestically?

MR. GROSS: Wally Gross, Bay Standard. To this point, with only ten percent being applied, we have not seen that much of an effect. Honestly, I was looking forward to the other percentage being applied, especially in regards to getting some protection on alloy steel out of China.

MR. SCHAGRIN: Mr. Matthews, one more comment. I neglected to mention, even though you didn't ask for it; maybe it was your next question, that last year or 18 months ago the Commission also made decisions in a number of cases on wire rod. So the imposition of dumping and countervailing duties on wire rod has the same impact as the 232.

It means that more likely, wire rod relief causes, as it should, prices to go up in the United States, and yet abroad prices could fall and producers of wire rod would be incentivized to sell more wire rod to producers of threaded rod, so it could be imported without the imposition of AD or countervailing duties on the rod.

MR. MATTHEWS: Yes. Thank you for that. Okay.

MR. BLACK: This is Dennis Black. I mean obviously we have large customers who also, you know, buy imports and we sometimes try to get information, obviously like we all do. And they said their effect of what they saw and Wally can probably speak to it more, is what they saw from China was yeah, there's a ten percent but China was taking most of that back.

If you look at some of the, you know, the price was going down. They claim they only saw maybe three percent to them, that China was eating a majority of that ten percent and it wasn't affecting them very much. We just didn't, we didn't see any improvement because of China eating the majority of it.

MR. MATTHEWS: Thank you.

MR. GROSS: Wally Gross, Bay Standard. I would like to share on that subject, because we do import vastly more other standard fasteners from China, and in our -- we go through every one of our commodities on a monthly basis, and we saw consistent price decreases from our factories in China, to offset that ten percent. So it had zero impact in my mind.

MR. MATTHEWS: Okay. So in the post-conference brief, could you expand on this, you know, the effect of all these recent trade actions and how that plays a role into, you know, how the Commission should rule on this particular

case? That would be helpful.

MR. SCHAGRIN: Yeah, we certainly will. It's probably more of a threat factor than an injury factor, but we will certainly address it in the post-conference brief.

MR. MATTHEWS: My next question is regarding the share of threaded rod that is produced from steel bar versus wire rod. So I was wondering -- so I understand the thicker product is used from -- is produced from bar. Is there a specific share as to like what is being produced from wire rod and what is being produced from bar? The diameters sorry.

MR. LOGAN: Alan Logan, Vulcan. It probably differs for us and Bay Standard. It all depends on your equipment. Most wire rod maxes at about inch and a eighth, inch and a quarter. I believe the wire rod trade case was only covered through 5/8ths or three quarter, something like that. We draw up to inch and an eight out of -- and it all depends on what mill you're talking to.

There's wire rod and then there's bar and coil, and then there's bar. So some people call their -- the stuff that we buy in coils barred coil. Some people call it wire rod. Just from a standpoint of volume, probably the mate of the volume is between 3-8ths and an inch and a quarter across all grades.

You do have some -- obviously, we produce all

the way up through four inch diameter. But from a pound standpoint, and you guys asked for pricing products and we tried to pick the ones that were most representative of our broad product line, 3/8ths by 10 foot zinc being the, probably the largest single one line item SKU that's sold within the industry from a volume standpoint. I hope that answers your question.

MR. MATTHEWS: Yes, yes, it does.

MR. GROSS: Wally Gross, Bay Standard. We are exactly the opposite. We are all large. You know, predominantly 60 percent of ours as far as weight is of one inch and above.

MR. BLACK: Again, I don't want to speak for Wally. This is Dennis. But is it because you can't compete and you had to get out of that market and get back to your imports?

MR. GROSS: Wally, Bay Standard. Yes, that absolutely is a cause, and then shifting our business to chase other avenues where we can move product, yeah.

MR. MATTHEWS: So can bar and wire rod be processed on the same threading machines? Do you have to use different -- yes, okay. On a more general note, is counsel aware of any anti-dumping or countervailing duty orders on the subject product in third country markets?

MS. DRAKE: Elizabeth Drake, Schagrin

Associates. We are not, but we will revisit that post-conference to see if there may be some we missed.

MR. MATTHEWS: Okay, thank you. So the current order on carbon threaded rod from China, so why -- if carbon threaded rod and alloy threaded rod can be used interchangeably, why was that not included in the scope of the previous investigation on China?

MR. SCHAGRIN: This is Roger Schagrin. Probably first because it was a decade ago, and there have -- I think the Commission's seen in a lot of cases. I know that I did cases on carbon plate in I believe '96, and 2000, that was just on carbon. And then when we did it again in 2014, we made it carbon and alloy.

So I think increasingly throughout the steel industry over the last 20 years, there's been a change to have more products made at steel mills that fall under a high strength, low alloy area. So there's been this blending of the line between carbon and alloy, with high strength low alloy.

Some of them were ten years. Changes in the industry and there was different counsel. I think that's why that -- there wasn't a countervailing duty case, even though there's plenty of subsidies in the Chinese steel industry. I think we alone have done about maybe over 20 CVD cases on various steel products from China.

But here, there was no CVD order in effect. But I think that's the main reason, is just changes in steel over the past decade or so.

MR. MATTHEWS: Thank you. Then my last question, I was wondering if counsel could provide raw material pricing data in the post-conference brief.

MR. SCHAGRIN: Yeah, we certainly can. We can provide it for both rod and bar.

MR. MATTHEWS: Okay, thank you. That's it for me.

MR. CORKRAN: Thank you, Mr. Matthews. I'd like to express my appreciation to the panel today. I've got a few follow-up questions, but a lot of the questions I have have already been addressed. The first question I have, I would like to turn back to some of the testimony we heard at the very beginning of the day from Mr. Tsai, regarding product from Taiwan.

One of the characteristics that he emphasized in terms of that threaded rod was its higher elasticity. I know you're going to address the competitive aspects of that in your brief, but could I get a better understanding of elasticity in the context of this product, and what type of applications would be looking for greater elasticity.

MR. BLACK: Again, elasticity is again back to some of the physical requirements required. Probably Wally

will want to chime in. It's probably a huge portion of the seismic. Obviously it has to move. If you're looking to hang a cable tray or duct work, they don't care about elasticity, right? That is very -- it's just hanging in the building.

It's more normally elasticity's big on the higher end application like a seismic maybe for anchoring type stuff like a wind tower. If you're anchoring a wind tower, obviously that's going to have a lot of torsion. So I would say it was a higher end product.

But it's just -- it's also covered by all the specs, right? I mean certain specs, if you meet that spec, some of the specs have elasticity, some don't, right? I mean it's truly what product are you providing, and all the specs, whether it be low or alloy, are covered by some sort of spec, industry spec. So --

MR. LOGAN: Alan Logan, Vulcan. I was a little perplexed when the term "elasticity" was used. I think ductility is probably a better word. I don't want to speak for him, but ductility is probably -- elongation or ductility is probably more, more what he's talking about.

And it's interesting, uncertain certain applications you want less ductility. You don't want the bar to stretch. That would be in the case of the seismic. In the case of seismic, what you're trying to do is keep the

building from not moving. If the building, if the fastener stretches a little bit, the building could start moving and then that's when you have a catastrophic failure.

So the idea on that is you don't want it to move. There are other applications that you want more ductility. You want higher strength and more ductility where the fastener can give a little bit and stretch a little bit without failing. So it depends on what the specification that you're looking for.

There are various specifications, you know, that have very low ductility requirements. There are other specifications across the steel continuum that is much higher in ductility. I hope that answers your question to some degree.

MR. GROSS: Wally Gross, Bay Standard. There is, as Roger had mentioned, very recently it's come to our attention that certain importers are now bringing in product that meet the ASTM standard, ASTM F-1554, Grade 36, which is what I've spent the last three years focusing my company on, is exploiting that in the market, training the end user as this is the application for embeds into concrete for seismic requirements.

Which, which separated my domestic product from having to compete against lower-priced imports. Within the last two months, it's come to my attention that it's being

supplied in the west coast to distributors, taking business away from us, and allowing those distributors to sell to other distributors, my customers meeting that standard.

That particular standard has four mechanical requirements to it, where other products previously on the ASTM standards that they were meeting for low carbon had two mechanical requirements. So it's for me, that in and of itself is a game-changer and it's of great concern for me, if that trend continues.

MR. CORKRAN: Thank you. That was very helpful. I'd also like to ask -- I've heard a lot about construction today, and construction was identified as a major demand driver. Mr. Tsai's testimony earlier indicated that imports from Taiwan might have a focus that is more in the automotive sector. Can you tell me to what extent you have a customer base that includes automotive customers, and if so how is threaded rod used in the automotive industry?

MR. BLACK: This is Dennis. I don't think we know obviously what's specific he's speaking of. But we don't do a lot in the automotive. Again, it would probably be a very small fastener, you know, whether it be -- I don't know if he's speaking of a bolt or a bolt replacement, a stud. I can't, I don't know what he's specifically asking.

MR. GROSS: Wally Gross, Bay Standard. I agree with Dennis' statement. The end use of our product is, as

far as Bay Standard, has zero automotive application.

MR. JENKINS: This is Brent Jenkins from Vulcan. I can also attest that while some of Taiwan's production may be going into automotive, the two largest volume -- based off our market research, the two largest volume importers of just commodity threaded rod are Fasten-All and Bright and Best, and as far as we know, their largest suppliers are both in Taiwan.

So I think a lot of it is going under the same markets, the standard commodity threaded rod market used in construction.

MR. CORKRAN: Thank you. That's very helpful. My next question had to do with the acquisition of the Acme Indianapolis facility. Can you go into that a little bit more? I was -- it sounded to me as if Vulcan purchased the facility and discontinued any, certainly any threaded rod operations at that facility. Is that fair? Is there more to it? What more should we be taking from this?

MR. BLACK: Yeah. When we bought the facility, we did not buy the building. We bought the equipment, we bought you know basically the market share, you know. There were reasons we didn't buy the building. So we said hey, do we relocate it? So we bring it to our facility?

But we did not buy the facility itself. We bought the equipment and that portion of the business or

hope to be that portion of the business. That doesn't mean the customers follow us, but that's what we hoped.

MR. CORKRAN: Okay.

(Pause.)

MR. CORKRAN: One of my questions is really more of a request. In discussing the issues that Mr. Matthews raised in terms of the 232, the 301 and as Mr. Schagrin correctly identified, the wire rod anti-dumping and countervailing duties that are now in effect in the United States, could you please give particular attention not just to the threat implications, but to the cost implications.

I was very much struck by testimony that yes, it is something that you -- that there is a notion of a level playing field among U.S. producers. But I would ask for a market that has an import presence, which these were not cost drivers, shouldn't the Commission -- should or should not the Commission be looking at this as a cost that was essentially imposed on your industry, and is separate from any notion of competition with imports?

MR. SCHAGRIN: Well, we'll address it in the post-conference, Mr. Corkran. This is Roger Schagrin. But I don't think it can be separated by the Commission as a cost not impacted by competition because yes, as we explain in both petition and will in our post-conference brief, there's significant increase in the cost raw materials over

the POI.

However, it's the -- not only the sworn testimony of the witnesses this morning, but the facts that this industry was not able to pass along those increased costs because of import competition. Now if that import competition were fairly traded, you know, lots of luck. That's the way it goes. We live in a real marketplace.

But if unfairly traded imports prevented the U.S. industry from passing along its increased costs of raw materials, I would say regardless of the reason that costs of raw materials were increasing, that the Commission couldn't, it wouldn't be appropriate for the Commission to say well, raw material costs were only increasing because of these other actions of the government, and so that's what injured you.

This Commission has always looked at underselling and price suppression or price depression and cost-price squeezes as if underselling by imports has caused price suppression and a cost-price squeeze. Then that's evidence of injury, regardless of why the costs of raw materials were increasing.

So we'll address it in the context of injury as well as threat, and explain the cost of raw materials, which were certainly impacted by these actions. But we'll make it clear, we blame squarely from a marketplace supply and

demand perspective, the inability of U.S. producers who tried repeatedly, not speaking out of turn from antitrust perspective, tried repeatedly over the Period of Investigation to increase their prices and were specifically told by customers hey, we're sorry to hear to your raw material costs are going up.

But if you want to raise your price to us by 15 percent, we're just going to buy more imports. So I mean that nexus is not something created by counsel. This is what the people in the industry were being told by their customers. Hey, we're not paying your price increase. We're going to buy more imports, and they said oh, we can only not pass along, you know, but so much.

Eventually, we're starting -- we're going to start selling at low cost, which you can't do in the manufacturing industry.

MR. CORKRAN: Okay. I appreciate that, and I look forward to hearing the explanation, because I think you framed the issue exactly what -- exactly the point that I'm wondering about, is what expectation there would or should be to increased prices from an externally generated cost. But we're certainly talking about the same thing. So thank you very much for that.

MR. CORKRAN: My next question is a product-related question, but it also has an aspect that is

-- we see in the harmonized tariff schedule. Can you talk to me a little bit about what it means to have a continuously thread threaded rod versus a non-continuously threaded? What are the aspects of those two types of products? How might they differ in their application, and for that matter just generically.

I mean we have the data, but just generically in your experience, how commonly do you see non-continuously threaded rod?

MR. LOGAN: Alan Logan, Vulcan. For the threaded rod market, by and large in the vast majority, it's a continually threaded product. There are I assume are certain applications that would -- that would require threads only on one or both ends. We do not really service that market, so I can't really speak to the entirety of that market.

There are -- when we originally, we tried to accommodate when we originally wrote the scope, to try to not include products that were not something that we manufacture. Since then, we know that people have tried to substitute single or double end threaded products to compete with continuous threaded products, and under certain applications that can be done.

If you know the -- if you know the end length on the job site that you need, then that can potentially occur.

But it also cuts -- it also eliminates the main attribute of threaded rod, which is the variability of being able to modify it on the job site to the exact length that you need. So obviously if it only has threads on each end, then that can't be done as to that great extent.

MR. SCHAGRIN: And Mr. Corkran, you asked about the product itself just from, you know, as we put together the petition and looked at, you know, why do you have this partial thread and what are the members of the domestic industry. Evidently, there are a couple of U.S. producers who don't make continuously threaded rod, but do make partially threaded rod.

And so I mean I guess it's just different. I presume they have different kinds of machinery and they have different kinds of equipment and they 're servicing a different kind of market.

And so that, I think, was another thing that went into their initial thought processes. As we, as you do when you're redoing a case, you know, broke up the scope into every piece of the language we said how did you come up with this 25 percent, you know, ten years and what does it mean?

We learned that there are a couple of U.S. producers who make only partially threaded rod, and do not make continuously threaded rod, and that Vulcan makes only

continuously threaded rod and does not make partially threaded rod. Evidently the machinery itself is different to apply partial threads versus continuous threads.

MR. GROSS: Wally Gross, Bay Standard. We do produce a significant amount of double end bar for -- by engineering design, simply because we have customers who require part number identification and heat code identification on the bar itself, on every bar produced, and we've had to build equipment to do it.

But 90 percent of our business when somebody approaches us with double end bar, is we try to steer them from all thread bar, because application-wise, strength-wise there's no difference, and I can offer them a better price doing continuously threaded, since that's how, generally my plant is set up to produce.

But it's -- the requirement for double end bars is fairly insignificant in the market.

MR. CORKRAN: Can you elaborate a little bit on that? Are you telling me that the double end bars, one of their leading desirable characteristics is the ability to put a bar mark on the non-threaded portion? Is that what I understand from your testimony?

MR. GROSS: Wally Gross, Bay Standard. We have a customer whose engineering department loves to over-engineer everything they do, and that's pretty much the

sum of it. They are a leader in the industry, and one of their selling points is that every bar they sell into the field can be traced back to the raw material it was manufactured from, and this is a huge selling characteristic that they offer their end users.

Again, they're a leader in the industry. They're a leader in construction and code callouts in California, and they carry a lot of weight. So to be able to have an opportunity to service that business, we had to adapt or else pass on the business.

MR. CORKRAN: Thank you. That's interesting. Does this tie in to the fact that one of the areas that you've been increasingly concentrating in is on the -- is the seismic field? Is that linked to this customer that needs strict identification?

MR. GROSS: Wally Gross, Bay Standard. Yes, that's a fact.

MR. CORKRAN: Just to help me put that into perspective then, how generally, particularly for bars that are continuously threaded, how is identification in terms of specification producing mill, things like that, how are they normally identified in continuously threaded rod.

MR. LOGAN: Alan Logan, Vulcan. Various specs require different things. There are some that require a color code. There are some that require a physical stamp,

meaning an indentation, an indented stamp for grade or for manufacturer symbol. There are a lot of specifications that have no requirement.

So and then even some that have requirements allow for it to be just marked on a tag, and that that be fully traceable with heat and lot numbers.

MR. CORKRAN: I am almost done with my questions. I have I think maybe one more, and that has to do with a follow-up on a question Ms. Martinez asked, which was can you tell me a little bit more about the two primary formers of galvanization, elecroplating and hot-dipped galvanized.

Are there particular applications that -- for which one might be more appropriate than the other? Are there costs such as environmental considerations that may lead a facility to have one versus the other? Why, why do those two exist side by side in this industry?

MR. BLACK: I'll take a shot and Alan can add to it, but the electroplating is much cheaper for one. So the majority on some of that is much higher than the hot-dipped galv. The hot-dipped galv is normally I'll use the word corrosion, but maybe outdoor use. The zinc is not a real thick. It's just electroplating.

So it's pretty thin, and it will, if left outside, start to surface rust, especially at the thread

peaks and valleys where water sits. So it's really about end use and what the customer needs. Hot-dipped does cost more, but if they do need that protection against the environment, and I'm not saying all outside. It could be a wet environment inside obviously, but you know it's again back to the end use and price when it comes down to it.

MR. LOGAN: Alan Logan, Vulcan. I'll add a little bit to that. From a standpoint of process, hot-dip is a dipping process where the product is submerged in molten zinc. Therefore, the coating comes out thicker and it also that's where you get the corrosion resistance.

And galvanizing competes with stainless in some degree. But obviously not to a great degree because nickel and chrome add so much corrosion resistance. The zinc plating is more of an electro process, where the parts are charged in a bath and it actually attracts the zinc.

It's a very thin coating, and really when you talk to people and it's been done that way for a long time, it really has to do with job site installation and not wanting to get your hands dirty. From a standpoint -- not that they don't want to get their hands dirty, but when they're trying to install a product and they're hanging upside down and installing it, they don't want grease marks all over stuff that's just been painted.

So it's more of a cleanliness, job site

cleanliness application. It does offer some slight corrosion resistance, but it's not a lot compared to other, to other coatings.

MR. CORKRAN: Okay. Well, I would very much like to thank the panel. This has been tremendously helpful, and I'm now going to turn to my colleagues to see if there are additional or follow-up questions. Yes, we have a few follow-up questions. We'll turn first to Mr. Boyland.

MR. BOYLAND: Thank you again. This is sort of a follow-up to a follow-up that I asked in writing, related to the pattern of conversion costs. Sort of to add on to that question, looking at the company's, and I'm speaking to Vulcan specifically, the capacity utilization during the period, was that high or low or just about normal for this company long term? Or was it -- how would you describe capacity utilization?

MR. LOGAN: Well, it did increase. We did show the increase in 2017 when we bought the All-America assets, and although they sit unused at this point, they are assets that we can install eventually and have that capacity. We also felt that in their reply, All-America would probably show a reduction in capacity.

So we didn't want to show that the U.S. did not lose that capacity, it didn't go away. It's just not being

currently used. As far as the capacity utilization prior to that and up to this point, it has grown due to the All-American acquisition. We didn't plug in the actual other capacity, but we did utilize our current equipment.

So we did show more production, but the overall utilization, because of the added capacity, probably was about flat or just a little bit, maybe increasing a little.

MR. BOYLAND: Thank you, yeah. And I think that just gets sort of to another question related to conversion costs, sort of embedded in the question itself.

MR. LOGAN: Sure.

MR. BOYLAND: About the importance of variable costs versus fixed.

MR. LOGAN: Right.

MR. BOYLAND: And I guess my question is I'm unitizing numbers and I'm seeing an average cost, and I'm wondering well, if the capacity utilization is X, if it goes up substantially, you know, would I be looking at a conversion cost that's half of what it is, or is it just so variable that it's not going to change that much?

MR. LOGAN: Well I mean, so we added some PRWs, you know.

MR. BOYLAND: Right.

MR. LOGAN: Most of that was probably added in the support aspects of manufacturing, more in the shipping,

receiving, packaging, labeling, where our equipment, our equipment can run more product with the same number of employees. The extra stuff, the packaging is more one to one. As you increase volume, you have to have more people there to do that type of work.

So overall, our as capacity utilization goes up, I would imagine fixed costs being the same, the actual production costs should decline. There would be some other stuff that would have more of a one to one ratio, if that makes sense.

MR. BOYLAND: Yes, it does.

MR. BLACK: Hey, this is Dennis. I have something to add. The other part is raw material costs are such a huge portion of that, that you know you can be incredibly efficient and pat yourself on the back and make almost no strides at times. And it can be disheartening, but you know the raw material costs are a huge portion. I don't know if I should say it here. That's the reason why I'm kind of beating around the bush. We can obviously show that. But you know, it's a huge percentage.

MR. BOYLAND: I understand, and I guess my -- the question that I sent the company getting to that part of cost was, you know, sort of with the understanding that raw material is a substantial part of the total COGS, but it's not the only part. So I wanted to make sure we had a feel

for what was going on on the non-raw material part.

So to the extent that you could discuss capacity utilization in your response if it's relevant, please feel free. Thank you.

MR. CORKRAN: Thank you. Mr. Matthews?

MR. MATTHEWS: This is Daniel Matthews, Office of Industries. I wanted to follow up on Ms. Martinez's question earlier about stainless. So I understand that because there's a high chromium and nickel content in stainless, that the costs are significantly higher than carbon and alloy threaded rod.

But I mean looking for, this is more of a speculative question. Would it, would it be feasible for an importer to start supplying or switching to stainless and/or -- if that's not included in the order?

MR. LOGAN: Well, depending on where the demand is coming from, switching our current -- you can't -- it's not interchangeable from a standpoint from our customers' view, because it's so price -- it's so much different, like multiples different. We would like to manufacture more stainless, but the demand is not there. It's such a small market.

So it's -- that's why it's not included in the case, simply because it is so much higher priced and it is so -- and the corrosive resistant market is so much smaller

than the carbon and alloy that the case covers, that that's why it's not included.

MR. MATTHEWS: So in the long run you would see the trend, like you did from carbon to alloy, from alloy to stainless?

MR. SCHAGRIN: No. Even the Chinese can't sell stainless at carbon and alloy prices.

MR. MATTHEWS: Okay. All right. That's it for me.

MR. CORKRAN: Well, I'd like to thank the panel once again. That concludes staff questions, and we will dismiss this panel.

(Panel leaves.)

MR BURCH: Will the room please come to order?

MR. CORKRAN: Thank you very much. We will begin our next panel with Ms. Carol Liu.

STATEMENT OF CAROL LIU

MS. LIU: Yes. Hello everybody. Thank you for your time and offering this chance for me to be here. I'm Carol Liu from Ying Ming Industry in Taiwan, and we are a manufacturer. The product we are selling to America are to a OEM located in Detroit. So that OEM company, that car company is actually the importer of our product.

The product we make are auto parts, because we're in auto industry. So all of our product selling to

America are for auto industry. Does we have a similar product like this petition describe, but in our industry it is called double-ended stud, double-ended stud, yeah. For this type of products is commonly used in engine and just mentioned applications.

So the fatigue tax of this product should be really high, because imagine a part installed into an engine and just mentioned. So when you start your cars, it's the inner vibration condition, yeah. So it's very different. And in fact, this kind of design, this double-ended stud is quite limited in car industry. It's not very commonly used because normally for double-ended stud, there will be a hat in the stud.

The reason why they design in this way is because normally for this product, the application is really critical. It's like a multiple joints. A lot of joints would gather here, and we need this hat or you could describe it as hat or something, something in the middle, to make sure that these multiple joints reach to a perfect balance. They have interfere and not interferes.

So because imagine in engine, there are many components that would interfere together. Sometimes we expect them to be interfered; sometimes we don't. So that's why they come out with this design, that the double-ended stud with the hat inside. I brought this for you guys, so

that you can have a better understanding, yes, like the photo I send to you, right.

And this hat here is not assembled. It's fouched (sic). So if you look at this drawing here, you can see we cut the bar with this -- we cut the material in this length, and then by multiple or co-folding station we make this shape in the middle, yeah. So it's not assembled. It's a one piece part. If you want to look into details, I can pass this to you guys, yeah, okay.

So yes. There's a station. Okay, so yeah. The product we make are for auto industry and mainly used for engine and transmission. I look into the volume we export to America last year. It was like 320,000 pounds, that figure, yeah. Because like I said, the design is quite limited in auto industry.

Also, when I look at the petition, I saw a word called average unit value. So I check that our record of this average unit value, and I found something really interesting. While normally people would expect the value we sell to domestic market is lower than what we sell to export market. But in this case, it's opposite. The sell, the selling price we offer to domestic market is actually lower. So we sell to America customer the pricing is higher.

The reason being is that American government has

a higher regulations on cars, especially pickups. So yeah, seriously. People should buy American cars, because it's really safer. So it's really interesting in this case that I saw this figure. I never saw this figure before, and I was very impressed.

So anyway, so this is what we do with our customers. So you can see in my questionnaire that the importer is actually a car company, so I cannot say the name here if you understand. Okay. So we don't think that the industry is a threat or will be a threat in this position. Yeah, so that's my comments. Thank you.

MR. CORKRAN: Thank you very much, Ms. Liu. We will start questioning with Ms. Keysha Martinez, our Investigator.

MS. MARTINEZ: Hi. Thank you for being here today and testifying. I only have a couple of questions. So I just want to make sure I understand. Are you saying that the product that you are describing, that it should be seen differently than the threaded rod that the domestic industry is arguing is injuring the U.S. industry, that are alleged to be sold at less than fair value?

MS. LIU: Yes, because the engineering requirement in United States is higher, a lot higher.

MS. MARTINEZ: So would you say, are the places for these parts you believe are a lot higher than -- it's

not just a commodity?

MS. LIU: Yes, because the tolerance, the drawing design are more complicated than the domestic customers.

MS. MARTINEZ: And are you aware, and I'm sure the domestic industry can respond later, but do you know if the U.S. industry, if you compete with U.S. producers in this particular product or --

MS. LIU: This is a very good question. Actually, we've been trying to compete the American makers, I mean for car industry for many, many years, and it's actually quite challenging, because of being a supplying auto industry, you do not just do production. You also need to provide a lot of service.

For example, like site engineer. You need to have a lot of site engineer in each assembly, and our customers, they have like 20 different assembly plants in America. So most of our competitors, American makers, they have like two or three site engineers at each assembly plant, which is still quite challenging for us to make that service. Also we have to kind of co-design the product with car companies together, and that's another challenge too because of the timing difference and the language, everything. So that's quite challenging to us also, yeah.

MS. MARTINEZ: Thank you, and do you know what

your competitors in Taiwan are doing? Are they producing a similar product for export, or do they deal more in this commodity threaded rod?

MS. LIU: Well actually there are very few Tier 1 fastener supplier as we do in Taiwan, because most of them they sell to distribution, distributor.

They sell to distributor in America, and this American distributor, they oftenly buy blank product from my competitor in Taiwan, so that they can do service driven (sic) like zinc plating or other coating in America, and then do some special packaging. Because in auto industry, especially for engine and transmission, they do auto feeding. So you need to have a really special packaging to make sure the system, the feeding system function well, so that it could be feeding automatically.

So and a lot of Taiwanese makers, they don't have the capability to do that, or to meet the requirement, yeah. So that's why some of them selling this blank product to American distributor, and they do service driven and then to packaging. But what we do is we do everything in Taiwan, and then ship here, yeah. So there is no other maker doing the same thing as we do in Taiwan, yeah.

MS. MARTINEZ: Thank you. That concludes my questions.

MR. CORKRAN: Thank you, Ms. Martinez. Now

we'll turn to Mr. Gallagher.

MR. GALLAGHER: Thank you. I just have a couple of questions. This is what you sell to the United States?

MS. LIU: No, not really. Not yet, not completely yet. This is just one of the process. We have like a co-forging, that's co-forging, and then after that we have threading. And as you can see, the diameter of both side are different. So we have to do thoroughling (sic) twice.

MR. GALLAGHER: No, I understand. But what I'm asking you is this what you ship to the United States?

MS. LIU: Yeah, yes, yes.

MR. GALLAGHER: Just this?

MS. LIU: Just --

MR. GALLAGHER: Or things similar to this?

MS. LIU: Yeah. So bigger, smaller, but similar to this.

MR. GALLAGHER: With a nut on it?

MS. LIU: No, no. With shape on it.

MR. GALLAGHER: Yes.

MS. LIU: Yes. So for example this one is smaller, but similar.

MR. GALLAGHER: Essentially the same design?

MS. LIU: Yeah, yeah. This design are owned by the customers. They design, they design the part, the

application, the performance and output this drawing, and we make according to the drawing, and also there's further requirements.

MR. GALLAGHER: Thank you. I don't have any further questions.

MR. CORKRAN: Thank you, Mr. Gallagher. Mr. Horn.

MR. HORN: Earlier in your testimony, you described the price in the Taiwanese domestic market as higher than the U.S. market. Is that accurate?

MS. LIU: No, no, no. The pricing we're selling to Taiwan is actually lower, because the requirement of American government on cars are higher. So the product, the pricing we are selling to these car companies is actually higher than what we sell to Taiwanese customers. It's the regulations.

It's very difficult to get into auto industry in America, because there are many, many requirements, and for a car itself, the safety requirement of American government is actually higher than Taiwanese government. So the building, building a car in America is actually -- the quality level is higher than the Taiwanese level.

So you can imagine the product we're selling to Taiwanese customer is actually lower, because the requirement is not that high, if you understand what I'm

trying to say, yes.

MR. HORN: Thank you. Would you describe your -- and if you can't do so here, would you describe the levels of capacity utilization? Are you supplying all of the Taiwanese --

MR. BURCH: Jeff, can you ask your question into the mic?

MR. HORN: Even if you do so in a brief and you don't want it public, could you describe your capacity utilization? Are you supplying all of the Taiwanese market and still have additional capacity to send to the United States, or is there excess capacity that you could still increase shipments to the United States?

MS. LIU: Good question. Well, our market share is America and some Asia excluded China, and then also Europe. So it's kind of like three different market share, yeah. To be honest, our capacity has been maximized for the last three years, and we so far have no plan to expand our capacity, yeah.

MR. HORNE: Would you be able to create similar products on your existing machinery? Or is this so specialized that you can only create these auto parts?

MS. LIU: Yes. It's very specialized, yeah. For example, we make for eight car companies. We cannot selling the same thing or same design to B customers. Because they

are all different design. And different engineering spec.

MR. HORNE: But on the same machinery, could you change the machinery or alter it to make a different product for a different customer? Or a different product entirely?

MS. LIU: It still has to be the same type. For example, if double-end stud, then double-end stud. And if it's a flange or some special one, then stay flange. So it's kind of difficult to exchange, like I do hex-flange for this machine and then I can change it to double-end stud.

MR. HORNE: So you can change and there's just --

MS. LIU: I can't. I can't. But for the same machine, I can make double-end stud for A customer, B customer, C customers.

MR. HORNE: Okay. Thank you very much. This concludes my questions.

MR. CORKRAN: Thank you. And with that, we'll turn to Mr. Boyland.

MR. BOYLAND: Thank you for your testimony. Just one quick question. The product that you're selling to the company in the U.S., the auto manufacturer. Are you selling the same product to other affiliated producers not in North America? In other words, the same company, but an affiliate in --

MS. LIU: Yes. Yes.

MR. BOYLAND: -- in other countries?

MS. LIU: Yes, it's a global country, so we sell to other company in America, and also to South America, Asia, Europe, South East, South America, yes.

MR. BOYLAND: So the co-design would be applicable to this company, but assembly, production, etcetera, is happening all over the world?

MS. LIU: Yeah.

MR. BOYLAND: So it's not specific to the U.S.?

MS. LIU: Yeah, but --

MR. BOYLAND: That part?

MS. LIU: Yeah, yes.

MR. BOYLAND: That correct?

MS. LIU: But it's interesting that, even for the same autos, they have different design in different area. So sometimes we thought we could use one source to support this customer globally, but sometimes no.

MR. BOYLAND: Okay. So sometimes, but not always?

MS. LIU: No, no.

MR. BOYLAND: In terms of interchangeability?

MS. LIU: Yes.

MR. BOYLAND: Thank you for your testimony.

MR. CORKRAN: Thank you. And we'll turn to Mr. Matthews.

MR. MATTHEWS: Daniel Matthews, Office of

Industries. Thank you for your testimony here today. My first question is regarding the OEM that you're supplying. So you mentioned it's just like one OEM in the United States.

MS. LIU: Yes.

MR. MATTHEWS: But that there are eight auto makers that you were supplying?

MS. LIU: Yeah.

MR. MATTHEWS: So those auto makers are mostly based in the Asia region

MS. LIU: Uh, yes. Also in Taiwan. There are several. And also in Thailand, India and Europe.

MR. MATTHEWS: And these are different companies from all over --

MS. LIU: Yeah, different. Different, yeah.

MR. MATTHEWS: Okay.

MS. LIU: They are global one, but also local one.

MR. MATTHEWS: And in terms of sourcing your raw materials, is this from Taiwanese producers wire road and steel bar?

MS. LIU: I would call it, we call it a coil or wire.

MR. MATTHEWS: Or wire? Okay.

MS. LIU: Yeah, 'cuz we don't use bar.

MR. MATTHEWS: You don't use bar?

MS. LIU: No.

MR. MATTHEWS: And this is being sourced from Taiwanese producers or from other --

MS. LIU: Taiwanese producer, yes.

MR. MATTHEWS: And you are not supplying any firms in mainland China?

MS. LIU: No, 'cuz we have a company over there and that company is specifically only supports this Chinese market. We try not to make two companies as competitors. So this Chinese company, they only take care of the Chinese market only, while we taking care of the rest of the world.

MR. MATTHEWS: So is this an affiliate of your company?

MS. LIU: Yes. Yeah.

MR. MATTHEWS: Okay.

MS. LIU: The thing is, some of our customer move to China and they expect us to be there, so that's why we have to be there to support them.

MR. MATTHEWS: I believe that's all I have.

MR. CORKRAN: Thank you very much. And again, Ms. Liu, thank you very much for being here today. It's very helpful to get a sense of some of the different producers in Taiwan. There's some that we've been looking at very closely and then you've provided us a look today in

some of the other products that are also offered from Taiwan. It's tremendously helpful.

Just as a general matter, you heard this morning about the type of threaded rod that is produced in the United States that is sold largely for construction applications. It's produced from wire rod, from bar. There are similar producers in Taiwan as well, that produce that type of product. Do you see your company competing with those companies or do you see yourself in a very separate part of the market?

MS. LIU: Yeah, we are in auto industry and they're in construction industry, so it's actually two different industry. I know some of their names, but I don't know them very much.

MR. CORKRAN: Ms. Liu, again, I want to thank you very much. Let me quickly turn to my colleagues to see if there are any additional questions. One this side, one on that side. We got one additional question.

MR. MATTHEWS: I'm sorry, one last question. Are any of your products subject to anti-dumping or countervailing duty orders within your country market?

MS. LIU: No.

MR. MATTHEWS: -- country market?

MS. LIU: We are a very small company.

MR. MATTHEWS: Okay. So wherever you're

exporting your products, you're not subject to any market orders?

MS. LIU: No.

MR. MATTHEWS: Okay, thank you.

MR. CORKRAN: Thank you, Ms. Liu. With that, that concludes our questions and we wanna thank you very much for appearing today. It's been very helpful to us. Thank you.

MS. LIU: No problem. Okay. Thank you, guys. Thank you.

MR. CORKRAN: Actually, can I ask that -- would you mind making that available to the petitioners just so they can see the type of product that you've been talking about? Thank you very much.

Mr. Secretary, I understand that we have one closing statement; is that correct?

MR. BURCH: That's right. That is correct.

MR. CORKRAN: Very good. Then we will begin with, and end with petitioners' closing statement. Thank you.

MR. BURCH: Closing and rebuttal remarks on behalf of those in support of imposition will be given by Elizabeth J. Drake with Schagrin Associates. Ms. Drake, you have ten minutes.

CLOSING REMARKS BY ELIZABETH J. DRAKE

MS. DRAKE: Mr. Corkran, members of the Commission Staff, than you very much for your attention today, and thank you for all of your work on this case. I realize it's a somewhat bigger case than you might always get with four countries and a number of domestic producers and a large number of importers and petitioner really does appreciate all the work that's been put into the case to date.

I'll begin by addressing the issues that Ms. Liu raised with regard to her double-ended studs that her company makes, we believe the current form for that is probably a scope exclusion request at Commerce, and as long as that scope exclusion language is administrable at least in principle right now, petitioner doesn't have any opposition or objection to creating that request.

It appears to be an extremely specialized product. And it doesn't seem to typify the imports that come in from Taiwan. I believe Ms. Liu said her company exported 320,000 tons of this product last year, whereas the U.S. imported 44 million pounds from Taiwan last year, so this is very small part of overall imports.

Related to some of those arguments raised also by the official from the Embassy of Taiwan, I'd like to briefly address cumulation. We think that all of the four factors for cumulation are easily met in this case. With regard to

fungibility, we see both alloy and carbon coming in from all four countries, though, of course, to varying degrees. These are all products that are made to standard specifications that are highly interchangeable.

And in both prior cases, the Commission found there was a high degree of interchangeability and that continues to be the case today. Imports from all four countries and domestic producers are in the same channels of distribution through distributors and, of course, domestic product goes to end users once it's through distribution. We see imports and every customs district of a country from all four subject countries and simultaneously present and every single month of the period of investigation from all four countries. So we think cumulation is easily met here.

The fact that there may be some divergent trends in import volume among the four countries is not relevant to the inquiry of cumulation for present material injury purposes. And even if the Commission were to move to threat where cumulation is discretionary, we think those differences in those trends alone wouldn't be enough to justify not cumulating imports from all four countries for the purposes of a threat determination.

We spent quite a bit of time this morning talking about the domestic like product. We think, like many other cases the Commission has seen, there are strong grounds for

treating carbon and alloy as a single domestic like product and no need to look at expanding the domestic like product beyond the scope to very different products such as stainless.

Turning to the domestic industry, as we indicated, we will submit information post-conference as to whether any of the domestic producers should be excluded because they import, or are related to importers. But the one thing that I do want to stress the most on the domestic industry is getting a complete questionnaire response from Acme All America.

That was clearly a big change that happened in the industry during the period of investigation was Vulcan's acquisition of their assets and it will understate the domestic industry's loss of market share if we don't have All America's production shipments at the beginning of the period of investigation before that acquisition took place.

Turning to conditions of competition, as the Commissioners found in previous cases on this product, these are highly substitutable products, prices are very important factor, and that continues to be the case here today. This was a period of very strongly increase in demand, as we saw a big increase in nonresidential construction, so the domestic industry should have expected to have a strongly rise in production, shipments, employment and profits during

the period.

The other important condition of competition is the big increase in raw material costs which we've discussed with Mr. Corkran. We believe that all the other factors the Commission looks at strongly support an affirmative determination, volume, subject imports already held a very significant share of the domestic market in 2016. It surged by 47%. And it saw increases in both 2017 and 2018 and they gained market share at the expense of the domestic industry. Again, if we include All America, we think that will be even more apparent in the preliminary record.

The way these subject imports were able to gain so much volume in the U.S. market was through aggressive underselling. There were issues in the last investigation in terms of the pricing data the Commission was able to gather. We're hopeful that this time around, by requesting pricing only to distributors, we will have more "apples to apples" comparisons that will show more the extent of the underselling that has occurred.

But I look forward to highlighting any areas where we believe there may be some errors in the reporting that the Commission has received. But that underselling is significant. It did allow imports to increase and to gain market share, and it also resulted in numerous lost sales and lost revenue examples. Only a few of those

questionnaires have been returned, but we hope that we'll get a more fulsome response to the numerous allegations submitted by petitioner and by the standard.

This underselling also resulted in significant price suppression as raw material prices went up, the domestic industry repeatedly tried to increase their own prices and were told by customers that they would not accept those price increases and could rely on lower-priced imports instead.

And this is seen in the increasing cost-price squeeze that the industry experienced over the period. And this led to material injury to the domestic industry. While there were increases in certain indicators, I believe most of those indicators increased less than the increase in demand, as imports rose even more rapidly than domestic shipments.

Capacity utilization, however calculated, we believe it remains low, even if it increased over the period. And the domestic industry as it was facing high and rising raw material costs in an industry that raw material costs are a very large portion of their total costs, the only reason they were not able to fully pass those on, was the rising presence of very low-price imports that make up more than half the market.

So to discount the impact that those low-priced

imports had on variability to pass along price increases, especially in light of this record, simply wouldn't be a correct result. And this inability to pass along costs in terms of rising prices led to declines in gross margins and operating margins and in net income. And these declines were particularly injurious in a period of very rapidly rising demand when an industry needs to maximize its profits before the inevitable downturn.

We believe there's also a very strong causation story in this record. When you see imports peaking is when you see the domestic industry doing its worst in terms of profitability and cost-price squeeze. There are no other factors that caused the injury or that made imports a negligible cause of injury. We had increasing demand, nonsubject imports were actually falling, and well, of course, there were rising raw material costs due to a number of factors that in and of itself shouldn't have prevented the domestic industry from passing on those costs to its customers.

It was the presence of unfairly traded imports that prevented them from doing so. So for all those reason, we hope that the Commission will reach an affirmative determination and we thank you for all your time and work on this case.

MR. CORKRAN: Thank you very much. On behalf of

the Commission and the Staff, I'd like to thank the witnesses who came here today and the counsel who came here today, for helping us to gain a better understanding of the product and the conditions of competition in the carbon and alloy steel threaded rod industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to this transcript and for submission of post-conference briefs, is Tuesday, March 19th.

If briefs contain business proprietary information, a public version is due on Wednesday, March 20th. The Commission has tentatively scheduled its vote in these investigations for Friday, April 5th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, April 8th. Commissioners' opinions will be issued on Monday, April 15th. Thank you all for coming. And with that, this conference is adjourned.

(Whereupon at 12:11 p.m., the hearing was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Carbon and Alloy Steel Threaded Rod from China, India, Taiwan, And Thailand

INVESTIGATION NOS.: 701-TA-618-619 and 731-TA-1441-1444

HEARING DATE: 3-14-19

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: 3-14-19

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Larry Flowers
Court Reporter