

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
PRESTRESSED CONCRETE STEEL) Investigation Nos.:
WIRE STRAND FROM BRAZIL,) 701-TA-432 and
INDIA, KOREA, MEXICO, AND) 731-TA-1024-1028 (Final)
THAILAND)

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Tuesday,
 December 2, 2003

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

The hearing commenced, pursuant to notice, at
 9:37 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DEANNA
 TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
 JENNIFER A. HILLMAN, VICE CHAIRMAN
 MARCIA E. MILLER, COMMISSIONER
 STEPHEN KOPLAN, COMMISSIONER
 CHARLOTTE R. LANE, COMMISSIONER
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Staff:

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GEORGE DEYMAN, SUPERVISORY INVESTIGATOR

In Support of the Imposition of Countervailing and
Antidumping Duties:

On behalf of American Spring Wire Corporation, Insteel
Wire Products Company, and Sumiden Wire Products
Corporation:

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Officer, Insteel Wire Products Company
TIMOTHY SELHORST, President and Chief Executive
Officer, American Spring Wire Corporation
BRIAN BURR, Plant Manager, Sumiden Wire Products
Corporation Commission; and Chairman, Southwest
Grain Division, Cenex Harvest States
RICHARD WAGNER, Vice President and General
Manager, Insteel Wire Products Company
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Washington, D.C.

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In Opposition to the Imposition of Countervailing and
Antidumping Duties:

On behalf of Aceros Camesa, S.A. de C.V., Cablesa S.A.
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Inc.:

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CHERYL ELLSWORTH, Esquire
JEFFREY S. LEVIN, Esquire
JOHN B. TOTARO, JR., Esquire
Harris, Ellsworth & Levin
Washington, D.C.

On behalf of Belgo Bekaert Arames S.A.:

PETER BARLAGE, Products Manager, Arcelor
International America, Inc.

CHRISTOPHER S. STOKES, Esquire
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P R O C E E D I N G S

(9:37 a.m.)

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3 CHAIRMAN OKUN: On behalf of the United
4 States International Trade Commission, I welcome you
5 to this hearing on Investigation Nos. 701-TA-432 and
6 731-TA-1024-1028 (Final), involving Prestressed
7 Concrete Steel Wire Strand From Brazil, India, Korea,
8 Mexico, and Thailand.

9 The purpose of these investigations is to
10 determine whether an industry in the United States is
11 materially injured or threatened with material injury
12 or the establishment of an industry is materially
13 retarded by reason of subsidized imports or less than
14 fair value imports of subject merchandise.

15 Schedules setting forth the presentation of
16 this hearing and testimony of witnesses are available
17 at the Secretary's desk. I understand the parties are
18 aware of time allocations. Any questions regarding
19 time allocations should be directed to the Secretary.

20 As all written material will be entered in
21 full into the record, it need not be read to us at
22 this time. All witnesses must be sworn in by the
23 Secretary before presenting testimony.

24 Finally, if you'll be submitting documents
25 that contain information you wish classified as

1 business confidential, your requests should comply
2 with Commission Rule 201.6.

3 Madam Secretary, are there any preliminary
4 matters?

5 MS. ABBOTT: No, Madam Chairman.

6 CHAIRMAN OKUN: Let us proceed with our
7 opening statements.

8 MS. ABBOTT: Opening remarks on behalf of
9 the Petitioners will be made by Paul C. Rosenthal,
10 Collier Shannon Scott.

11 CHAIRMAN OKUN: Good morning, Mr. Rosenthal.

12 MR. ROSENTHAL: Good morning, Madam
13 Chairman, members of the Commission.

14 This weekend I had family in town. We went
15 up to Gettysburg, and I was inspired once again by
16 Lincoln's Gettysburg address. I said to myself could
17 I possibly be as inspiring and profound? I said to
18 myself no, of course not. I said to myself could I
19 possibly be as concise? Two hundred and seventy-two
20 words, two minutes and seven seconds for the entire
21 speech. Could I possibly be as concise? Of course,
22 the answer is no. I was also afraid that my good
23 friend, Mr. Harris, would say I knew Abe Lincoln, and
24 you're no Abe Lincoln, Paul.

25 I do want to focus on the record this

1 morning and point out that the staff has done a nice
2 job of explaining that virtually every trade
3 indicator, every financial indicator that the
4 Commission normally examines, points to an affirmative
5 determination in this case.

6 This product is a commodity sold in
7 relatively few product forms. The Respondents don't
8 dispute that. There's also no dispute that imports
9 have increased dramatically over the period of
10 investigation. As import market share climbed seven
11 percentage points, the U.S. industry's share dropped
12 by precisely that same amount. Coincidence? Hardly.

13 Subject imports displaced domestic industry
14 sales on a pound-for-pound basis, and those sales
15 imports did not capture resulted in lower prices for
16 the domestic producers.

17 The Commission has verified virtually all of
18 the numerous examples of lost sales and lost revenues.
19 The Commission knows how hard it is in many cases to
20 be able to find concrete examples of lost sales and
21 lost revenues and have these confirmed. Here,
22 virtually every allegation made was confirmed by the
23 staff. Each of the sales lost where the price is
24 reduced was not because of a better quality imported
25 product, but because of a lower priced imported

1 product.

2 No matter how you view the record concerning
3 pricing data, it shows significant underselling. The
4 customer responses and the lost sales and lost revenue
5 data confirm the significance of this underselling.

6 The result of the high volume of these low-
7 priced and declining priced imports has been
8 predictable: A sharp and steady decline in U.S.
9 producer prices over the last three years. With those
10 declining prices has come a swift erosion of
11 profitability with industry operating profits in the
12 year 2000 falling to losses by the year 2002.

13 Now, as the Commission knows, most of my
14 appearances here are on behalf of domestic industries
15 seeking import relief. I do also occasionally appear
16 on behalf of importers, so, in the words of Judy
17 Collins, I've looked at these cases from both sides
18 now, and I promise I will not break into song.

19 I'll tell you, it's a lot easier
20 representing Petitioners in these cases for one
21 reason, and that is you have time to prepare your case
22 well before you actually file. Respondents often are
23 at a disadvantage, especially if they're not tipped
24 off before the case is filed. They have to scramble
25 to come up with theories and present those at the

1 staff conference.

2 That's exactly what Respondents did here,
3 and you have to devise the best hypothesis and hope
4 that the record that is later developed will turn out
5 to support your theories.

6 In this case, Respondents offered various
7 theories at the staff conference concerning such
8 issues as like product, Buy America protections and
9 market segmentation. None of those theories are
10 supported by the facts at the preliminary stage, and,
11 as the record has been further developed, these
12 theories have even less support now.

13 Yet, Respondents persist in making their
14 argument in the face of the evidence. They have a
15 story, and they're sticking to it, and you're going to
16 hear a lot about it the rest of the day. The problem
17 is the story has no foundation.

18 As their testimony will demonstrate, all PC
19 strand, whether sold as coated or uncoated product or
20 covered or uncovered product and whether sold to
21 customers at pretension or posttension strength, is
22 the same with respect to the physical characteristics
23 of the merchandise and is sold for the same end use.
24 There is no justification for finding a separate like
25 product.

1 Similarly, Respondents' claim that Buy
2 America requirements protect U.S. producers and
3 prevent injury are similarly unfounded. Buy America
4 requirements apply to only 30 percent of this market,
5 leaving 70 percent of the market open to competition
6 from imports.

7 The testimony will refute the market
8 segmentation argument as well. Our witnesses will
9 explain how they've always supplied posttensioners and
10 how their sales and prices to posttensioners have
11 declined over the period of investigation.

12 Respondents' arguments must fail because
13 they have not been able to explain how they've gained
14 market share, how their prices have declined and U.S.
15 producers' prices have declined and how producer
16 profitability has declined as well.

17 After you hear today's testimony, I feel
18 confident you'll find Respondents' theories to be
19 baseless, and you'll reach an affirmative
20 determination in this case.

21 Thank you.

22 CHAIRMAN OKUN: Thank you.

23 MS. ABBOTT: Opening remarks on behalf of
24 the Respondents will be made by Cheryl Ellsworth,
25 Harris, Ellsworth & Levin, and Christopher S. Stokes,

1 Hogan & Hartson.

2 CHAIRMAN OKUN: Good morning, Ms. Ellsworth
3 and Mr. Stokes. You may proceed.

4 MR. STOKES: Good morning. For the record,
5 my name is Chris Stokes of the law firm of Hogan &
6 Hartson. I'm here today on behalf of Belgo Bekaert,
7 the Brazilian producer of PC strand.

8 Although Brazil represents a relatively
9 small portion of subject imports, our presentation
10 today addresses the Commission's analysis in the event
11 it decides to cumulate all subject imports when
12 evaluating volume, price and impact.

13 We believe the Commission's analysis in this
14 proceeding should involve three important steps. Step
15 1, the Commission must ensure that it examines and
16 fully understands all of the competitive dynamics of
17 the PC strand market.

18 Although the Petitioners will plead with you
19 today to ignore the divide between pretension and
20 posttension PC strand and those markets and the role
21 of Buy America restrictions, we are hopeful by the end
22 of today the Commission will be in a position to
23 evaluate all the characteristics of the PC strand
24 market.

25 Step 2, the Commission must then determine

1 the relevance of these features to its injury
2 analysis. That is, the Commission must decide how to
3 tailor its evaluation in this case to accommodate the
4 unique attributes of the PC strand market.

5 Step 3, after identifying the adjustments
6 necessary to account for the underlying market
7 conditions, the Commission should evaluate import
8 pricing, volume and the operating performance of the
9 U.S. producers to determine whether the limited
10 competition with imports in the small segment of the
11 market could have possibly been a significant cause of
12 material injury.

13 Based on this analysis, the Commission will
14 find the following: Subject imports were absent or
15 negligible in three of the four major market segments.
16 Contrary to the Petitioners' claims in the preliminary
17 determination, there is no evidence of pervasive
18 underselling by subject imports. In fact, the
19 evidence points to the contrary.

20 Import participation in one area where there
21 was potential competition with the U.S. producers, the
22 unrestricted posttension segment, did not have a
23 significant impact on the overall operating
24 performance of the U.S. producers.

25 Last, the recovery in the PC strand market

1 began well before the Petitioners filed their
2 petition.

3 Thank you.

4 MS. ELLSWORTH: Good morning, Madam
5 Chairman, Commissioners and staff. My name is Cheryl
6 Ellsworth. Our firm, Harris, Ellsworth & Levin, is
7 appearing today on behalf of the Mexican producers of
8 PC strand and their importers.

9 The Commission's preliminary investigation
10 was hampered by the fact that the petition failed to
11 identify critical points such as the fundamental
12 differences between covered and uncovered PC strand,
13 the distinct markets that those products serve and the
14 prevalence of Buy America restrictions that insulate
15 U.S. producers from import competition.

16 Fortunately, the record in these final
17 investigations is far more complete and informative
18 than that on which the Commission based its
19 preliminary determinations. The record overwhelmingly
20 demonstrates the following facts:

21 First, there are two distinct markets for PC
22 strand in the United States, the pretension market and
23 the posttension market.

24 Second, sales of subject imports are
25 severely limited by the prevalence of Buy America

1 restrictions, particularly in the pretension market.
2 As a consequence, 75 to 80 percent of U.S. producers'
3 shipments have been to the pretension market, while
4 most subject imports and virtually all imports from
5 Mexico have been sold for posttension applications.

6 Third, virtually all of the PC strand used
7 in the posttension market is covered, and covered PC
8 strand is used only in the posttension market.

9 Fourth, public data reveal that Mexico
10 accounts for virtually all subject imports of covered
11 PC strand. In contrast, the domestic producers of
12 uncovered PC strand, including the Petitioners, do not
13 produce any covered PC strand.

14 Finally, the domestic industry that does
15 produce covered PC strand has not sought relief under
16 the antidumping law and is not here today in support
17 of the petition.

18 Based on this record, we urge the Commission
19 to determine that uncovered and covered PC strand
20 constitute two domestic like products and that the
21 domestic industries that produce those products are
22 not materially injured or threatened with material
23 injury by reason of imports of PC strand from Mexico.

24 Thank you.

25 CHAIRMAN OKUN: Thank you.

1 Madam Secretary, please announce the first
2 panel.

3 MS. ABBOTT: The first panel in support of
4 the petition will please come forward. All members
5 have been sworn.

6 (Witnesses sworn.)

7 CHAIRMAN OKUN: Mr. Rosenthal, it looks like
8 most of your witnesses are seated. You may proceed.

9 MR. ROSENTHAL: Thank you. Our first
10 witness this morning will be Mr. Tim Selhorst.

11 MR. SELHORST: Good morning. I am Tim
12 Selhorst, president and CEO of American Spring Wire
13 Corporation. My company produces PC strand in two
14 locations, Bedford Heights, Ohio, and Houston, Texas,
15 and we service the entire U.S. PC strand market.

16 American Spring Wire is the oldest member of
17 the domestic PC strand industry. My company has
18 weathered a lot of change in the marketplace over the
19 years. From this perspective, let me discuss PC
20 strand as a product and a market.

21 I'm surprised that foreign producers are
22 arguing that there is more than one product at issue
23 here and more than one market. Neither of those
24 claims is true, and the truth is simple. All PC
25 strand constitutes a single product sold into a single

1 market for the same use -- to tension concrete.

2 PC strand is a high carbon stranded steel
3 wire product that is tensioned or prestressed by our
4 customers to reinforce poured or cast concrete.
5 Prestressing allows concrete to withstand tensile
6 forces without cracking.

7 Your staff report does a pretty thorough job
8 of describing how the product is made and its
9 application. As that report makes clear, the vast
10 majority of PC strand is made to one industry wide
11 standard, ASTM A-416, and only a few grades and a few
12 sizes.

13 All domestically produced PC strand and all
14 of the imports meet the prevailing industry standards.
15 When American Spring Wire manufactures PC strand, we
16 use the same workers, same bobbins, same materials, et
17 cetera, regardless of the downstream installation
18 method of the PC strand.

19 Once complete, the PC strand is placed into
20 inventory rather than being produced to order. The
21 inventory is not distinguished between posttensioners
22 or pretensioners. As a result, PC strand sold in the
23 United States is essentially identical regardless of
24 who produced it, who bought it or how it is installed.

25 In fact, the product on which the Commission

1 requested pricing data in its questionnaire, half-
2 inch, Grade 270, low relax, uncoated strand, accounts
3 for most sales of PC strand in the U.S. market. This
4 same product is sold by both the domestic industry and
5 the importers, whether it is sold to someone who will
6 install it by the pretensioning or posttensioning
7 method.

8 The same product is sold whether it is to be
9 installed bare, either by a pretensioner directly in
10 the concrete or by a posttensioner into a grout-filled
11 duct in the concrete, or whether it's to be coated by
12 the posttensioning customer with grease and a plastic
13 casing before installation into the concrete. In
14 every case, the underlying PC strand product is the
15 same, and only the manner of installation changes
16 depending on our customers' design preference.

17 We've brought samples of plastic coated,
18 epoxy coated and a bare product. This bare piece of
19 uncoated PC strand we sell to pretensioners. This
20 same piece of bare PC strand is also the PC strand we
21 sell to the posttensioners, whether it's going to be
22 coated or installed as is.

23 Here's the same bare PC strand after it has
24 a plastic coating, and here is a bare strand after
25 it's been epoxy coated. The PC strand inside the

1 plastic coated and epoxy coated product is identical
2 to the bare strand that I showed you. They are all
3 Grade 270, half-inch, low relax PC strand. All of
4 these products could be installed as is for
5 posttensioning by the same customer.

6 No domestic PC strand producer makes plastic
7 coated PC strand anymore, and the vast majority of all
8 PC strand sold to posttensioners by the domestic
9 industry and the foreign mills is bare. We don't
10 plastic coat strand because posttensioning customers
11 generally prefer to plastic coat the product
12 themselves as a part of their design and installation
13 service.

14 A posttensioning customer will buy bare PC
15 strand in reels. This gives them the flexibility to
16 use the strand covered or uncovered as the job
17 requires. Plastic coating is a simple process that
18 uses relatively inexpensive plastic extruding
19 machinery, requires few personnel to operate and no
20 special training.

21 To the extent that the Mexican industry has
22 begun to import some dumped covered PC strand, they
23 are performing a minor add on for the customer that
24 does not change its essential physical
25 characteristics, use or identity as PC strand.

1 Imported Mexican covered PC strand competes
2 with domestic uncovered PC strand for the same job.
3 If a posttensioner can buy the dumped covered strand
4 from a Mexican producer for less than he can buy the
5 bare strand from American Spring Wire and then coat it
6 himself, then that's what he'll do. It's an economic
7 decision for the posttensioner and one in this case
8 that is unfortunately driven by the significant
9 dumping of Mexican imports.

10 Just as there is only one product at issue
11 in this case, PC strand, there is also only one market
12 for PC strand. We don't view posttensioners and
13 pretensioners as different market segments. We have
14 to sell the same product for the same use to both
15 customers.

16 When the foreign producers here today tell
17 you that the domestic producers don't compete for
18 posttension sales and that we have abandoned those
19 customers, they're wrong. American Spring Wire does
20 sell to posttension customers.

21 We very much want to sell more PC strand to
22 more of these posttension customers, but dumped
23 imports from the subject countries have made this
24 difficult and often impossible because of their low
25 price. We haven't quit selling to posttensioners.

1 We've simply been forced out of competition for many
2 of those accounts by the dumped imports that undersell
3 our prices.

4 When the foreign producers tell you they
5 don't compete for pretension customers, that's wrong
6 as well. The Brazilian producers claim not to compete
7 for pretensioning customers, but American Spring Wire
8 lost a valued pretensioning customer last year to the
9 Brazilian producer represented here today on the basis
10 of its dumped low price.

11 That customer couldn't afford not to buy the
12 dumped product because he would have had to compete
13 with the dumped imported PC strand purchased by his
14 pre and posttensioning competitors. We certainly
15 couldn't afford to meet the low price of the Brazilian
16 producer. We were only able to get this customer back
17 this year after the dumping case was filed and prices
18 began to go back up to more reasonable levels.

19 When the foreign producers tell you they
20 weren't underselling us, that's also not true. We
21 hear from our customers constantly that the dumped and
22 subsidized imports have been underselling us, and we
23 saw it in the marketplace every day. We lost sales to
24 both pre and posttensioners on this basis. We lost
25 customers, as I've just explained.

1 The primary point of competition for all PC
2 strand is price, and until the effects of this case
3 took hold the increasing volume of the dumped imports
4 at declining prices have been driving down that price
5 to levels where we either had to lose money, lose the
6 sale or both. Those sales from customers we did hold
7 onto were at reduced prices. You can look in the
8 record to see the tremendous harm this did to American
9 Spring Wire's operating profits.

10 Unless this case is successful, I have no
11 doubt that we will again lose the customer I referred
12 to earlier and other pre and posttension customers to
13 dumped imports on the basis of price. The domestic
14 industry has very modern, state-of-the-art production
15 facilities for PC strand in the United States and is
16 price competitive with fairly traded imported PC
17 strand.

18 Since the filing of this case, American
19 Spring Wire has been receiving healthier prices for
20 its PC strand product and is regaining old customers,
21 as well as gaining new customers, particularly
22 posttensioners. Again, you can see the change this
23 has made in our bottom line from our questionnaire
24 responses.

25 Absent relief from the dumped imports, the

1 fragile recovery that has begun for this industry will
2 be lost. We will return to the downward spiraling
3 prices, market share erosion, large financial losses
4 and plant closures that recently characterized the PC
5 strand industry. I hope that you will not let that
6 happen.

7 Thank you.

8 MR. ROSENTHAL: Mr. Woltz?

9 MR. WOLTZ: Good morning. My name is H.
10 Woltz. I'm president and chief executive officer of
11 Insteel Wire Products Company.

12 I've served in this capacity for 13 years,
13 and I've been involved in the steel wire industry for
14 25 years. My work has spanned all aspects of the PC
15 strand business, including investment justification,
16 facility construction and startup, production and
17 marketing.

18 This morning I would like to focus on the
19 conditions we face in competing for sales of PC strand
20 in the U.S. market and the effects of unfairly traded
21 imports on our industry. Let me begin with the nature
22 of the product and its impact on the selling process.

23 PC strand is a commodity product that is
24 sold in the U.S. on the basis of price. As Mr.
25 Selhorst stated, the product is produced to meet ASTM

1 specifications, and once meeting those specs it is
2 interchangeable whether produced by Insteel, another
3 domestic producer or a foreign producer.

4 In fact, PC strand is somewhat unusual as
5 compared to other steel products because the vast
6 majority of all PC strand is produced and sold in one
7 particular size, grade and type, and that is the half-
8 inch, 270K, uncovered strand.

9 Although certain purchasers subject
10 producers to a certification process before purchasing
11 PC strand, in my experience no domestic producer or
12 subject foreign producer has experienced difficulty in
13 obtaining certification.

14 I know of no U.S. producer or subject
15 importer that has suffered long-term participation
16 loss with a major purchaser for quality reasons or
17 because of the inability to meet specifications. As a
18 result, the market for PC strand is highly price
19 sensitive, and small differences in price lead to a
20 gain of a sale or loss of a sale.

21 In discussing the nature of the product, I
22 should also comment on the plastic coated PC strand
23 that Mr. Selhorst described. As you may be aware, we
24 used to plastic coat PC strand at our Florida
25 facility, but we stopped doing so because our

1 customers prefer to coat the product themselves.

2 Although we do not sell plastic coated PC
3 strand, the bare strand that we sell competes directly
4 with plastic coated PC strand. If it is cheaper for a
5 posttensioner to buy coated strand than to buy bare
6 strand and coat it, he will do so. Competition takes
7 place between coated and uncoated PC strand for the
8 same end users with the same customers.

9 PC strand is sold in the U.S. directly to
10 end users by both domestic producers and subject
11 importers. I know of no firm that serves as a
12 distributor of PC strand. We compete directly against
13 subject imports for sales to many of the same end user
14 customers. Those end users in turn utilize the strand
15 in either a pretensioning process or a posttensioning
16 process.

17 Pretensioners cast concrete elements in
18 their factory and ship them to a jobsite where they
19 are erected. Posttensioners generally utilize PC
20 strand on a jobsite. In either case, the function of
21 the PC strand is exactly the same. It is used to
22 impart compressive forces to concrete.

23 I am aware that the foreign producers have
24 claimed that there are separate and distinct markets
25 for pretensioners, as opposed to posttensioners, and

1 have further argued that the subject imports sell only
2 to posttensioners while the domestic industry sells
3 almost exclusively to pretensioners.

4 There is absolutely no truth to these
5 contentions. First, there are no physical differences
6 in the PC strand whether it is sold to a customer for
7 pretensioning or to a customer for posttensioning.
8 The half-inch, 270K PC strand Mr. Selhorst described
9 is the major product sold to all customers, regardless
10 of whether the tension is undertaken at the customer's
11 factory or on a construction site.

12 Second, the actual end use of the PC strand
13 is often the same, regardless of whether it is subject
14 to pre and posttensioning. In fact, pre and
15 posttensioners may compete for sales for the same
16 structure, such as a parking garage, demonstrating the
17 absence of any market segmentation.

18 The reality is that pretensioning and
19 posttensioning are simply different methods used to
20 adapt the same PC strand to the same end use. As a
21 result, domestic producers and subject imports compete
22 directly for sales in the PC strand market.

23 Insteel and the other U.S. producers have
24 sold PC strand for many years to customers that use PC
25 strand for posttensioning, as well as customers that

1 pretension the PC strand. Respondents' arguments that
2 historically U.S. producers did not sell to
3 posttensioning customers are completely false. We
4 have long sold to posttensioning customers and indeed
5 cannot afford to ignore these customers that account
6 for a substantial and growing part of the U.S. market.

7 Although our sales to posttensioning
8 customers in particular have declined in recent years,
9 the loss of these sales is not due to a lack of
10 interest in selling to the posttensioning customers,
11 but rather is directly due to import competition.
12 Unfairly traded imports surged into the U.S. market,
13 targeting primarily posttension customers, probably
14 because these customers purchase in large volumes and
15 were the most attractive initially.

16 Imports aggressively went after the business
17 of posttensioners in particular by offering absurdly
18 low prices well below our prices and as a result
19 replaced our volume of sales to these customers.
20 Having made substantial inroads into the posttensioner
21 accounts, imports also made offers and sales to
22 smaller pretension accounts.

23 As documented by the Commission staff,
24 Insteel has lost sales and has had to reduce prices
25 due to lower priced imports. The prices of PC strand

1 have fallen substantially in the past few years as the
2 subsidized and dumped imports have reduced prices in a
3 successful strategy to gain market share.

4 Respondents' arguments that we either never
5 had an interest in selling to customers the
6 posttension strand or that we have lost interest in
7 such customers would be laughable if the situation
8 were not so serious.

9 Only after these cases were filed and prices
10 began to recover to reasonable levels were we able to
11 regain important customer accounts that we had lost to
12 low-priced subject imports and to raise our prices to
13 more reasonable levels. We never lost interest in
14 selling to posttension accounts. We were just unable
15 to compete with imports where pricing never seemed to
16 find a bottom.

17 I see that the data gathered by the
18 Commission comparing prices to posttension customers
19 indicates that while there is significant underselling
20 by imports, there is also a lot of overselling by
21 imports. I can tell you as an active participant in
22 the market something must be wrong with the pricing
23 data. Why would our sales have declined if our
24 product had been lower priced than the imports?

25 It is counterintuitive to contend that the

1 domestic industry would have experienced the
2 significant loss of market share that is demonstrated
3 by the data if our prices had been lower than those of
4 the imported products. If we were in fact selling at
5 lower prices than imports, we would be gaining sales
6 and market share, not losing them as we have.

7 My day-to-day experience in this market over
8 the past three and a half years is that these subject
9 imports regularly undercut our prices and as a result
10 have taken our sales and forced us to reduce our
11 prices to compete.

12 Nor is it true that subject imports do not
13 or cannot sell to customers that pretension PC strand.
14 Our brief documents instances of competition with
15 imports for pretension accounts.

16 While subject imports to date have targeted
17 posttension customers that account for large shares of
18 the PC strand market in their selling efforts, they
19 have also made inroads in sales to pretensioners, and
20 there is nothing except for these cases to stop them
21 from expanding their sales to pretension customers.

22 Another aspect of our market that has been
23 the subject of much discussion in this case is the Buy
24 America requirements. Buy America requirements have
25 not prevented injury to our industry.

1 First, the percentage of the total market
2 affected by Buy America requirements has been less
3 than 30 percent in the past three years. That leaves
4 70 percent of the market open to imports. The
5 domestic industry cannot survive if we limit ourselves
6 to 30 percent of the U.S. market that is subject to
7 Buy America regulations.

8 Second, the low and declining prices in the
9 market for non-Buy America sales have a direct
10 negative impact on the prices in the Buy America
11 portion of the market. Prices to customers subject to
12 Buy America requirements have also been depressed in
13 recent years by the overall decline in PC strand
14 prices driven by unfairly traded imports.

15 Although imports may not directly take sales
16 volume from Buy America customers, their low prices
17 depress the overall U.S. market price to accounts and
18 lead to reduced revenues for U.S. producers. The
19 increasing volumes of low prices of subject imports
20 have caused serious injury to our industry.

21 The quality of Insteel's PC strand is as
22 good or better than any PC strand produced anywhere in
23 the world, and we have taken draconian cost reduction
24 measures, including plant closures, to ensure that our
25 operations are cost competitive on a global basis.

1 Despite these efforts, we have seen our
2 sales decline, our financial condition erode, our
3 employment level decline and our capital investments
4 decline, all as a result of unfairly traded imports.
5 The dumped and subsidized imports have been the cause
6 of injury to the domestic PC strand industry.

7 The only bright spot we have experienced in
8 the industry over this period has occurred in recent
9 months when imports reacted to the filing of these
10 cases by reducing volumes and increasing prices.

11 Absent relief in the cases, I have no doubt
12 that the surging volumes of low-priced imports that
13 caused the injury we have suffered over the past three
14 and a half years will recur.

15 Thank you.

16 MR. ROSENTHAL: Mr. Burr?

17 MR. BURR: Good morning, Madam Chairman and
18 members of the Commission. My name is Brian Burr, and
19 I am the plant manager for Sumiden Wire Products
20 Corporation.

21 In that position, I am responsible for
22 overseeing and managing all production related
23 operations at Sumiden's PC strand production
24 facilities in Dickson, Tennessee, and Stockton,
25 California. In total, I have worked in the wire and

1 PC strand industry for 13 years, all as an employee of
2 Sumiden.

3 Sumiden has manufactured and sold PC strand
4 in the United States for almost 25 years since opening
5 our Stockton, California, facility in 1979. We
6 subsequently began producing PC strand in the Dickson,
7 Tennessee, facility in 1996.

8 In addition to those two facilities, Sumiden
9 has produced PC strand at a facility in Victorville,
10 California, that was opened in March 1999. As a
11 direct result of the injury inflicted on our company
12 by unfairly traded imports, Sumiden decided to close
13 that facility in the third quarter of 2001. When the
14 facility closed, it had been in operation for less
15 than three years.

16 Sumiden's operation of PC strand production
17 facilities in Tennessee and California provides it
18 with a national sales presence. The Victorville
19 facility, however, was constructed to further
20 strengthen our ability to meet our customers' needs
21 and to serve the strong and growing demand for PC
22 strand.

23 Sumiden invested about \$10 million in
24 constructing the Victorville facility and was
25 anticipating significant returns from this new, highly

1 efficient and technologically advanced facility. The
2 Victorville facility was one of the most efficient PC
3 strand production facilities in the world and was
4 designed specifically to produce the bread and butter
5 product of the PC strand market, one-half inch, 270K,
6 seven wire PC strand.

7 The facility had new, state-of-the-art
8 equipment that allowed us to minimize labor and power
9 costs. Sumiden's decision to proceed with
10 construction of the Victorville facility was intended
11 in large part to help us more efficiently sell PC
12 strand to our customers that consumed strand in
13 posttension applications.

14 While all PC strand can be used
15 interchangeably by pre and posttensioners, the
16 Victorville facility was ideally located to serve many
17 posttensioners, a customer base that we have been and
18 are committed to serving.

19 Indeed, at the time it opened the vast
20 majority of the Victorville facility's production was
21 sold to customers using the PC strand in posttension
22 applications. Unfortunately, our Victorville facility
23 came on stream just as unfairly traded imports of PC
24 strand began to have a significant impact on our
25 operations.

1 By third quarter 2001, our market share and
2 pricing had eroded to the point where we could no
3 longer justify operating the facility. As a result,
4 despite the large amount of resources committed to
5 constructing that facility, we made the very painful
6 decision to lay off our dedicated Victorville
7 employees and to close the plant.

8 For 23 years, Sumiden had made it a policy
9 to keep all of our people employed regardless of
10 market conditions. Unfortunately, due to injury
11 inflicted on our company by unfairly traded imports,
12 we were forced to break that longstanding policy.

13 Respondents have argued that Sumiden's
14 decision to close the Victorville facility was the
15 result of sudden surges in electricity prices in
16 California in 2001 and related production difficulties
17 that allegedly resulted in Sumiden being unable to
18 supply PC strand to its customers.

19 These assertions are baseless. Despite the
20 increases in electricity prices, Sumiden continued to
21 produce PC strand in both of its California facilities
22 throughout 2001. During that time, our ongoing
23 production operations and inventories provided us with
24 a more than adequate supply of PC strand that was
25 available to meet all of our customers' needs.

1 In fact, between January and July 2001, more
2 PC strand was produced at Sumiden's California
3 facilities than was produced during the same period in
4 2000. At no time did the increase in electricity
5 prices result in Sumiden's inability to meet customer
6 orders.

7 Following the increase in electricity
8 prices, Sumiden altered its shift schedule from May
9 through October 2001 to produce at off peak hours,
10 during nights and on weekends when electricity rates
11 were lower. We have now made those changes permanent,
12 and the change has allowed us to produce PC strand at
13 a lower cost with no impact on our ability to meet our
14 customers' needs.

15 Indeed, production cost at Sumiden's
16 Stockton facility have declined over the period of
17 investigation despite the increases in electricity
18 prices in 2001. In fact, the price declines suffered
19 by Sumiden during the POI as a result of low-priced
20 subject imports are approximately four times greater
21 than the impact that increased electricity costs had
22 on our operations.

23 Sumiden is not the only domestic PC strand
24 producer that has decided to close a very new, highly
25 efficient facility during the period of investigation.

1 Sebaco, another domestic producer of PC strand,
2 recently announced its decision to close its facility
3 in Newnan, Georgia. That facility, which opened in
4 the spring of 2001, was in operation for approximately
5 two years before a decision was made to close it.

6 Like our Victorville facility, Sebaco's
7 Newnan facility had state-of-the-art equipment that
8 had allowed it to produce PC strand very efficiently.
9 Despite these efficiencies, Sebaco, like Sumiden,
10 appears to have determined it simply cannot compete
11 against the low prices at which foreign producers are
12 selling in the United States. Indeed, it is my
13 understanding that Sebaco's Newnan facility never
14 produced at more than a fraction of its capacity.

15 The large and growing presence of unfairly
16 traded imports has had a significant negative effect
17 on virtually all aspects of Sumiden's operations.
18 Nevertheless, we have made every effort to continue to
19 make strategic capital investments in our facilities.

20 Most recently, we made investments in the
21 drawing operations in our Dickson facility and the
22 pickling operations in our Stockton facility. These
23 investments, like our much larger investment in the
24 Victorville facility, reflect our successful efforts
25 to reduce our production cost and maximize Sumiden's

1 competitiveness.

2 No level of capital investment, however,
3 could have enabled us to deal with the large volumes
4 of unfairly traded PC strand imports entering the U.S.
5 Despite continued investments in our PC strand
6 operations, we have not realized the financial
7 benefits of a strong market for our products. It is
8 absolutely crucial that we have the opportunity to
9 realize a decent return on these investments.

10 As the profitability of Sumiden and the
11 domestic industry continues to decline, finding the
12 money needed to make sure investments becomes more and
13 more difficult. Unless those investments are made,
14 the ability of the domestic industry to produce PC
15 strand efficiently and offer it to customers at
16 competitive prices will erode.

17 Although market conditions have improved
18 somewhat as a result of the filing of these cases, we
19 remain concerned that the abysmal market conditions
20 will return unless the Commission reaches a final
21 affirmative determination.

22 The recent improvements have enabled Sumiden
23 to complete sales of PC strand to several customers,
24 including customers that consume PC strand in
25 posttension applications whose business we had lost to

1 lower priced subject imports.

2 Here I would echo the testimony of Mr. Woltz
3 regarding the prices of imports in this market.
4 Sumiden has lost sales and reduced prices over the
5 past three years because the subject imports were
6 lower priced. We have documented for you many
7 instances of import competition, all of which involve
8 imports that undersold Sumiden's prices.

9 I am completely mystified as to how the data
10 you have gathered show any overselling by imports, but
11 I can tell you that it is not true based on my
12 experience in this market. It is only in recent
13 months, after these cases were filed, that we were
14 able to regain customers once the unfair import
15 pricing was addressed. Absent the issuance of dumping
16 orders to establish pricing discipline in the market,
17 however, our recent experiences make clear these
18 improvements will be short-lived.

19 I appreciate very much very much the
20 opportunity to appear before you today and would be
21 happy to answer any questions you may have at the
22 appropriate time.

23 MR. ROSENTHAL: Ms. Cannon?

24 MS. CANNON: Good morning. I'm Kathleen
25 Cannon of Collier Shannon Scott. This morning I will

1 address several legal issues that have been raised in
2 this case, beginning with the domestic like product.

3 The like product definition here should
4 mirror the scope of the case and comprise all PC
5 strand, whether coated or uncoated. There is no
6 support for the Mexican producers' arguments that
7 plastic coated PC strand should be identified as a
8 separate like product from other PC strand.

9 As you found preliminarily, the physical
10 characteristics and uses of covered and uncovered PC
11 strand are marked more by their inherent similarities
12 than their technical differences. Although
13 Respondents have argued that coated and uncoated PC
14 strand are used for different applications, that is
15 not true.

16 As Mr. Selhorst and Mr. Woltz testified,
17 posttensioners that required a coated product
18 generally have coating lines in place to coat the bare
19 strand, so it is purely an economic decision whether
20 to buy coated or uncoated PC strand. In the end,
21 however, it is all used for the same application.
22 Whether coated or uncoated, the product is
23 interchangeable and is sold through the same channels
24 of distribution to end users.

25 The basic production process for all PC

1 strand is the same with the exception that coated PC
2 strand undergoes minor additional processing on a
3 plastic coating line. This minor processing pales in
4 comparison to the significant cost and manufacturing
5 operations involved in producing the bare PC strand.

6 Finally, although the price of plastic
7 coated PC strand is higher than the price of uncoated
8 strand, that difference does not justify finding a
9 separate like product. Plastic coated strand,
10 indented strand and epoxy coated strand are all sold
11 at different prices that merely reflect the continuum
12 of a single like product.

13 In fact, if I were to line up the three
14 samples of PC strand that we brought with us today
15 from least to most expensive, you would put the bare
16 strand on the end, the plastic coated strand in the
17 middle and then the epoxy coated strand at the other
18 end. The plastic coated strand that they claim is
19 different falls in the middle of the spectrum.

20 It is telling I think, given this, that
21 Respondents have not argued that epoxy coated PC
22 strand, also a coated product, should be considered a
23 separate like product based on similar pricing and
24 manufacturing differences.

25 Based on this single like product

1 definition, the domestic industry consists of the
2 three petitioning companies plus Strand Tech and
3 Sebaco. Companies that merely add the plastic coating
4 to PC strand should not be considered part of this
5 industry.

6 The capital investment, employment and
7 technical expertise required to apply plastic coating
8 to PC strand are insignificant, particularly as
9 compared to that needed to produce PC strand, and the
10 value added by the coating operation is but a small
11 part of the total cost of coated PC strand.

12 Here I would refer you to the Fresh Atlantic
13 Salmon From Chile case where the Commission did not
14 include companies that merely cut salmon or filleted
15 salmon in the domestic industry based on similar
16 facts, including the minor nature of those operations,
17 even though cut salmon was part of the domestic like
18 product.

19 By contrast, the Ferrovanadium case on which
20 Respondents rely to support inclusion of the coaters
21 in the industry involve very different facts than
22 those presented here. Even under those different
23 facts, the Commission did not find that the companies
24 at issue should be part of the domestic industry.

25 Next let me address cumulation and the

1 reasonable overlap in competition issue. The factors
2 the Commission traditionally examines to find such
3 competition are all met in this case.

4 There can be no real question that PC strand
5 is a fungible product or that it is simultaneously
6 present in the market. Really the only challenge to
7 fungibility is the Mexican producers' contention
8 regarding coated strand, and that most of that strand
9 is coated does not demonstrate a lack of fungibility
10 because covered and uncovered PC strand are directly
11 competitive. Further, much of the Mexican product
12 that's imported is also bare strand, the identical
13 product sold by other subject importers and U.S.
14 producers.

15 The question of whether PC strand is sold in
16 common channels of distribution has been complicated
17 in this case by certain importers' misclassification
18 of sales to end users as sales to distributors. Our
19 brief identifies the purchasers involved, most of
20 which are end user posttensioners, not distributors.
21 Once the actual customers are identified, it is
22 apparent that most sales of PC strand by both U.S.
23 producers and subject importers are in a common
24 channel of distribution, that of sales to end users.

25 Subject imports of the U.S. product are also

1 present in the same geographic markets. Although the
2 Mexican producers claim that their sales are to
3 customers in Texas and, therefore, are geographically
4 isolated, Texas is an important state into which U.S.
5 producers and all subject imports sell, as reflected
6 in the import statistics by port.

7 If after reviewing these factors you have
8 any doubt as to whether there is overlapping
9 competition in the market, please look at the charts
10 in our brief showing common customer accounts, as well
11 as the confirmed instances of lost sales and lost
12 revenue in head-to-head competition. These numerous
13 examples of direct competition between U.S. producers
14 and subject imports demonstrate more than a reasonable
15 overlap of competition for cumulation.

16 A final issue concerns Respondents'
17 allegations on market segmentation. First, the
18 statute requires the Commission to determine whether
19 there is injury to a domestic industry as a whole and
20 not whether there is injury based on sales to alleged
21 different market segments. Although the Courts have
22 sustained the Commission's exercise of its discretion
23 where the record supports a finding of market sectors,
24 the statute does not require such an approach.

25 Second, cases in which the Commission has

1 engaged in segmented analysis have generally involved
2 differences in the physical characteristics or quality
3 of the products. For example, where low quality
4 versus high quality products are involved, the
5 Commission has examined different market segments,
6 recognizing that the product differences attenuate
7 competition. There is no difference, however, in the
8 physical characteristics or the quality of PC strand
9 whether it is sold by subject importers or by domestic
10 producers.

11 The other scenario in which the Commission
12 has differentiated markets is where the end use of the
13 product, and in particular the price at which the
14 product is sold in relation to that end use, affect
15 product comparisons. In this case, the end uses of
16 the product are the same, and there is no evidence
17 that the value of the PC strand consumed in relation
18 to the cost of pretensioner or posttensioner
19 operations is appreciably different.

20 Given the absence of physical differences,
21 end uses or value added differences between PC strands
22 sold to pretensioners or posttensioners, there is no
23 legal support for a segmented market analysis in this
24 case.

25 What the facts establish is not a segmented

1 market for PC strand, but the targeting by subject
2 imports of the largest customers in the PC strand
3 market, customers that are primarily posttensioners.
4 Such targeting shows an intent to seize market share,
5 as was accomplished here, but does not show a
6 segmentation of the market to support a focus on sales
7 or prices to some customers to the exclusion of
8 others.

9 Thank you.

10 MR. ROSENTHAL: Ms. Beck?

11 MS. BECK: Good morning, Madam Chairman,
12 Commissioners and staff. My name is Gina Beck of
13 Georgetown Economic Services. This morning I will
14 discuss how the significant and rising volume of low-
15 priced imports from subject countries has had an
16 injurious effect on the performance of the domestic PC
17 strand industry over the POI.

18 The volume of unfairly traded imports has
19 increased substantially from 2000 to 2002 and has
20 stood at significant levels during each year of the
21 POI. In the first half of 2003 compared to the same
22 period in 2002, imports increased, but at a slower
23 pace.

24 A review of import volumes based on only six
25 month data, however, does not display the true effects

1 of these cases since imports from the subject
2 countries already started showing declines beginning
3 in second quarter 2003 following the filing of these
4 cases and issuance of an affirmative preliminary
5 Commission decision in mid March 2003.

6 Subject imports declined even more
7 dramatically after Commerce's July 2003 announcement
8 of the imposition of preliminary duties for the
9 subject countries with imports all but disappearing in
10 August 2003.

11 Not only have import volumes grown, but
12 subject PC strand imports have captured a large and
13 increasing share of domestic consumption during each
14 year of the POI, standing at 15 percent in 2000,
15 growing to 17 percent in 2001 and surging to 22
16 percent in 2002 and remaining at 22.1 percent in the
17 first half of 2003, while U.S. producers' share of the
18 domestic market declined each year.

19 Now we will turn to the impact of low-priced
20 subject imports on U.S. producers' prices. It is
21 clear that U.S. prices were driven down by surging
22 volumes of low import prices for several reasons.
23 One, the dramatic increase in import volume of price
24 sensitive PC strand led to U.S. price depression and
25 suppression.

1 Number two, even the ever low and declining
2 prices of subject imports also drove down and held
3 down U.S. prices. Three, significant underselling by
4 subject imports caused U.S. lost sales and revenue,
5 lost market share and price suppression.

6 The record demonstrates that PC strand is
7 perhaps the ultimate commodity type product. As
8 you've heard this morning, all PC strand is made to
9 uniform characteristics, and there are relatively few
10 grades and variations of the products sold in the
11 market.

12 Product 1, half-inch, 270K, uncovered
13 strand, accounted for the vast majority of the market.
14 Any increase in volume of a low-priced product within
15 an intense price based market will have a dramatic
16 effect, but when the increase in volume of this
17 product is close to 44 percent over a three year
18 period the effects are even more severe.

19 As subject imports captured an increasing
20 share of domestic consumption, U.S. producers were
21 forced to lower their prices to record low points in
22 order to retain customers. Not only did the volume of
23 low-priced dumped subject imports increase over the
24 period contributing to price depression; they did so
25 at ever declining prices. The average unit values of

1 subject imports fell throughout the POI.

2 With subject imports flooding a contracting
3 market of declining prices, domestic prices were
4 inevitably forced downward as the industry struggled
5 to remain competitively priced in the marketplace in
6 order not to lose sales.

7 Declines in domestic AUVs were clearly
8 caused by the low prices and high volume of subject
9 imports. The Commission's pricing record in these
10 investigations also demonstrates significant
11 underselling by subject imports for each pricing
12 descriptor across all PC strand sales.

13 As presented in the Commission's prehearing
14 report at V-12 for Product 1 sold to pretensioned and
15 posttensioned customers, imports from Brazil, India
16 and Korea undersold U.S. product in every possible
17 comparison, and imports from Mexico showed
18 underselling in all but one instance and all but two
19 for Thailand.

20 Data for Products 1 and 2 sold for
21 pretensioned and posttensioned applications showed
22 subject imports underselling U.S. produced product in
23 97 percent of all possible comparisons. Even on the
24 basis of sales to pretensioned and posttensioned
25 customers separately, underselling by subject imports

1 was significant.

2 A mixed pattern of underselling and
3 overselling is to be expected in a market of strict
4 price-based competition. As detailed in Petitioners'
5 prehearing brief, instances of underselling for sales
6 to posttensioned customers, however, appear to be
7 understated on inconsistencies between imported
8 questionnaire data and record data. Notably, the
9 large volume of confirmed lost sales and revenue
10 examples are compelling evidence directly from
11 purchasers that subject importers undersold U.S.
12 prices.

13 I will next examine the impact of subject
14 imports' low prices on the U.S. industry's trade and
15 financial performance. Nearly every trade and
16 financial indicator reported by U.S. producers showed
17 stark declines and deterioration as a result of low-
18 priced import competition as summarized in the slide
19 above. As the record shows, as the industry's net
20 sales fell by 19 percent over the POI, profitability
21 in 2000 plummeted to a deep operating loss in 2002.

22 As a ratio of net sales, operating profit
23 fell from 7.6 percent in 2000 to negative 4.4 percent
24 in 2002. During the interim period, the industry's
25 financial condition improved to 2.5 percent as a

1 result of the filing of these cases that led to
2 increased prices.

3 Respondents' presentation of financial data
4 in their prehearing brief on the basis of Buy America
5 pretensioned and posttensioned sales separately is
6 meaningless. These data are completely guesswork by
7 Respondents and are inaccurate. What is accurate,
8 unfortunately, is that the industry's operating loss
9 was close to \$6 million in 2002.

10 Respondents will attempt to convince you
11 this afternoon that other factors such as energy and
12 raw material costs, as opposed to subject imports,
13 were the reason for the industry's injury. As
14 described in Petitioners' prehearing brief, these
15 factors had virtually no impact on U.S. producers'
16 performance over the POI. In addition, non-subject
17 imports were not a factor, given that they remained
18 steady over the POI.

19 The causal link between the rising volume of
20 low-priced imports and declining domestic market
21 share, prices, profits and other trade indicia is
22 corroborated by lost sales and revenue information
23 provided by the industry. The majority of these
24 examples have been confirmed and represent an
25 extremely high dollar value.

1 As a result of the pendency of these cases
2 and the Commission's affirmative prelim, U.S.
3 producers have regained customers and gained new
4 customers as detailed in our prehearing brief. There
5 could be no more compelling evidence of the causal
6 link between the growing volume of low-priced imports
7 and the condition of the U.S. industry.

8 Thank you for your attention.

9 MR. ROSENTHAL: Mr. Kerwin?

10 MR. KERWIN: Good morning. I'm Michael
11 Kerwin of Georgetown Economic Services. This morning
12 I'd like to address certain of the conditions of
13 competition within the U.S. market for PC strand.

14 The Respondents argue that the massive surge
15 in subject imports during the period of investigation
16 had no impact on the domestic industry because there
17 are two distinct segments within the U.S. PC strand
18 market, pre and posttensioners.

19 They have asserted that the domestic
20 industry has been happy serving pretension accounts,
21 which they imply are essentially all covered under Buy
22 America regulations and which have seen large declines
23 in consumption due to reduced highway and bridge
24 funding.

25 Respondents would also have you believe that

1 the domestic industry has essentially ignored the
2 posttension accounts where all the market growth has
3 been occurring in the past several years and that
4 subject imports have been kind enough to meet those
5 growing needs.

6 I have three words in response to the
7 Respondents' claims. Wrong, wrong and wrong. The
8 data in the prehearing report, much of which
9 Respondents demanded be collected, show that the
10 Respondents' claims are actually much more credible
11 before there was full information on the record.
12 Comprehensive data now before the Commission shows
13 that the claims put forward by Respondents are without
14 merit.

15 Let me begin by stating the obvious.
16 Petitioners believe there is one market for PC strand
17 in the United States, not two distinct market
18 segments. That being said, my analysis will discuss
19 separate sales trends and consumption among
20 pretensioners and posttensioners. We present this
21 analysis not because we support the Respondents'
22 claims, but precisely because these data demonstrate
23 that there is no validity to the claims of distinct
24 market segments.

25 Before getting into the specifics of the

1 data for pre and posttensioners, I should point out
2 that the staff report does not report data on sales to
3 posttensioners on the basis of a single like product,
4 but rather only presents such evidence separately for
5 covered and uncovered strands. This is an unfortunate
6 oversight, particularly in light of the Commission's
7 preliminary finding of a single like product.

8 Because of this shortcoming, we have had to
9 derive our own tables presenting total sales of all PC
10 strand to pre and posttensioners as reflected in
11 Exhibit 1. Because the interim 2003 data begins to
12 reflect the effects of this case and are proprietary,
13 the focus of my comments will be on the 2000 to 2002
14 period.

15 As you can see, shipments to posttensioners
16 accounted for more than 38 percent of the total U.S.
17 market for PC strand in each of the years from 2000
18 through 2002. Clearly, this is not an inconsequential
19 element of the market, nor is it true that increased
20 demand among posttensioners somehow explains the
21 growth in subject imports during the POI. Consumption
22 of PC strand by posttensioners actually fell by two
23 percent between 2000 and 2002.

24 The domestic industry cannot be considered a
25 Johnny-come-lately to the posttension area of the

1 market. As shown in Exhibit 2, at the beginning of
2 the POI the domestic industry accounted for well over
3 half of all U.S. sales to posttensioners. By 2002,
4 that figure had dropped to just 37 percent due to the
5 massive expansion of subject imports.

6 Indeed, domestic producer shipments to
7 posttensioners fell from 154 million pounds in 2000 to
8 105 million in 2002, a 32 percent decline. While I
9 cannot provide you with the precise volumes of subject
10 import shipments to posttensioners, I can say that
11 such volumes increased massively during this period
12 and that imports overall increased by 44 million
13 pounds or 33 percent.

14 We can also say that total shipments of PC
15 strand from non-subject sources fell between 2000 and
16 2002. Simply put, the subject imports caused a
17 decline in U.S. producer sales to posttensioners, not
18 a lack of effort or marketing focus on the part of the
19 domestic industry.

20 Let me say a few words about the pretension
21 area of the market. It is true that imports do not
22 make up a large percentage of total sales to these
23 customers. That being said, imports obviously are not
24 precluded from selling into this market, as shown by
25 the fact that total import volume to these customers

1 increased from 2000 to 2002.

2 Further, there is great room for expansion
3 of subject imports in this area of the market given
4 that Buy America provisions covered well less than
5 half of consumption by pretensioners. The fact is
6 that the subject imports chose quite logically to
7 focus their marketing efforts during the POI on the
8 largest U.S. customers for the product, which are
9 generally posttension customers, a strategy that
10 clearly served them well.

11 Let's now examine the Buy America issue.
12 The element of the market covered by Buy America is
13 not nearly as big as Respondents have characterized
14 it. The data in the staff report show that Buy
15 America sales of PC strand never exceeded 30 percent
16 of the U.S. market during the years 2000 to 2002. The
17 domestic industry cannot exist on 30 percent of the
18 market.

19 In truth, sales not subject to Buy America
20 provisions have long made up a significant majority of
21 the sales of the domestic industry. As shown in
22 Exhibit 3, nearly two-thirds of U.S. producer sales in
23 2000 were not subject to any type of Buy America
24 provisions. While that percentage fell to less than
25 60 percent by 2002, that decline was due to a huge

1 drop in industry sales not covered by Buy America
2 rather than any increase in Buy America sales.

3 As shown in the summary data of Exhibit 4,
4 domestic industry sales subject to Buy America
5 provisions fell by five million pounds between 2000
6 and 2002, a decline of just two percent. In contrast,
7 domestic industry sales not subject to Buy America
8 provisions plummeted a whopping 77 million pounds over
9 the same period, a decline of 20 percent.

10 To put this in perspective, of the total
11 decline in domestic industry sales volumes between
12 2000 and 2002, just six percent occurred at accounts
13 under Buy America provisions, and 94 percent occurred
14 at accounts not covered under buy America.

15 These numbers do not support any claims that
16 cutbacks in funding for highway and bridge projects
17 have been the true cause for the domestic industry's
18 misfortunes during this period. In fact, in fiscal
19 years 2000, 2001 and 2002, the Federal Highway
20 Administration budget funding such projects increased
21 each year.

22 So what happened in the element of the
23 market not covered by Buy America to cause the
24 domestic industry's decline? Yes, there was some
25 market contraction during this period as total sales

1 not subject to Buy America fell by six percent from
2 2000 to 2002.

3 Significantly, however, it was the domestic
4 industry, not subject imports, that bore the brunt of
5 this contraction. In fact, shipments of subject
6 imports expanded by 48 million pounds from 2000 to
7 2002, an increase of 40 percent, so in a contracting
8 market the subject imports not only did not experience
9 sales declines, but took sales directly away from the
10 domestic industry as summarized in the indexed
11 representation of Exhibit 5.

12 Indeed, the volume that the subject imports
13 took from the domestic industry far exceeded the
14 volume the industry lost to general declines in market
15 demand. Reflecting these trends, the share of non-Buy
16 America PC strand consumption held by the subject
17 imports expanded from 22 percent in 2000 to 33 percent
18 in 2002. As a result, domestic producers' share of
19 such sales fell from 72 percent in 2000 to 61 percent
20 in 2002.

21 Clearly, Buy America preferences did not
22 stop the subject imports from expanding in the U.S.
23 market and did not prevent their substitution for the
24 domestic product. Rather than fulfilling an unmet
25 need, the subject imports were eating the lunch of the

1 domestic industry.

2 Even granting that 30 percent of the
3 domestic market for PC strand cannot currently be
4 taken by imports, the subject imports could expand
5 their volumes in the U.S. market by 200 percent above
6 2002 levels before they would even bump into the area
7 of the market covered by Buy America provisions.

8 By the time this happens, there will be no
9 domestic PC strand industry left to protect, meaning
10 the Buy America provisions will no longer be of
11 concern to anyone.

12 Thank you. That concludes my remarks.

13 MR. ROSENTHAL: That concludes our
14 presentation. We'd be glad to answer questions.

15 CHAIRMAN OKUN: Thank you very much. Before
16 we begin our questioning, let me take this opportunity
17 to thank all the witnesses for appearing here this
18 morning, for presenting your testimony, for your
19 willingness to answer questions and for all the
20 information you have shared with the Commission and
21 the staff in preparation for this hearing.

22 Commissioner Pearson will begin our
23 questioning this morning.

24 If I could just remind witnesses if they
25 would say their name before they respond to a question

1 to help us and to help our court reporter?

2 COMMISSIONER PEARSON: Thank you for your
3 testimony as I continue to learn more about the PC
4 strand industry, which, frankly, when I first saw the
5 file I thought it had to do with politically correct
6 strands. I thought not the right place for me, but at
7 any rate.

8 The U.S. consumption quantity of PC strand
9 fell about 40 million pounds from 2000 through 2002.
10 What was happening in the marketplace that led to that
11 decrease?

12 MR. WOLTZ: I'm H. Woltz with Insteel
13 Industries. From Insteel's perspective, the market
14 for PC strand had grown rapidly through the 1990s with
15 the market nearly doubling during that decade.

16 In 2000, actually 2000 was itself a pretty
17 good year, and I think that as we saw frequently that
18 construction is a lagging market as the economy turned
19 down, the construction of primarily commercial and
20 industrial facilities rolled on through 2000 and into
21 2001.

22 But, as the economy turned down those
23 construction projects began to be turned off, and from
24 Insteel's perspective the major driver of the decline
25 in demand has been the falloff in construction of

1 office buildings, parking decks and other private,
2 non-residential structures.

3 COMMISSIONER PEARSON: Okay. Is that a more
4 or less normal cyclical development in the
5 marketplace? Do you see that happen whenever there's
6 a slowdown in the domestic economy?

7 MR. WOLTZ: The last time that we saw this
8 phenomenon was in the late 1980s and early 1990s, so I
9 wouldn't say that it's a regular occurrence, but it's
10 not unprecedented.

11 COMMISSIONER PEARSON: The reality is the
12 demand for the PC strand is very closely linked to
13 construction and so there is a close linkage with
14 growth in the economy?

15 MR. WOLTZ: Both construction of buildings,
16 as well as infrastructure construction of bridges and
17 highways.

18 COMMISSIONER PEARSON: During the period
19 2000 to 2002, U.S. production capacity for PC strand
20 increased by approximately 50 million pounds. What
21 prompted new investments in production at a time of
22 increasing demand?

23 MR. WOLTZ: Well, first let me say from my
24 company's perspective our capacity actually decreased
25 during the period of investigation when we retrenched

1 and closed facilities to better manage our costs.

2 But, as I say, up to the point of the period
3 of investigation the market for PC strand had expanded
4 rapidly, and I would contend that the domestic
5 industry made wise investments to serve a growing
6 domestic market and that the real driver of
7 overcapacity was the completely unexpected and
8 unprecedented surge of imports into the market that
9 grew 40 percent over this period of time.

10 The domestic market itself certainly would
11 sustain the capital investments that were planned by
12 the domestic industry on a prudent basis absent a
13 surge of imports such as had never been witnessed
14 before.

15 Of course, as was earlier mentioned, some of
16 the domestic capacity that came in during the period
17 of investigation also was closed during the period of
18 investigation, which is another unprecedented
19 development in this industry that capacity would come
20 in and go out so quickly.

21 COMMISSIONER PEARSON: How long does it take
22 to expand a plant or build a greenfield? Can it be
23 done in 12 months?

24 MR. WOLTZ: No. I would say probably 18 to
25 20 months would be the planning horizon, the

1 permitting and the lead time for equipment, which
2 itself is in the neighborhood of a year.

3 COMMISSIONER PEARSON: You've indicated that
4 the unprecedented surge of imports is what caused the
5 damage, but here we have a situation in which over the
6 period, the three years that we're talking about as
7 the period of investigation, you have a decrease in
8 domestic demand of 40 million pounds, an increase in
9 domestic production capacity of 50 million.

10 Absent any change in imports, wouldn't this
11 have been a challenging time for the domestic
12 industry? I mean, wouldn't you expect to have seen
13 rather poor financial results under those
14 circumstances?

15 MR. WOLTZ: I think that if imports had
16 tracked at a level that was consistent with prior
17 years that the industry would have maintained a
18 capacity utilization rate well in excess of 80
19 percent, and I would not have expected extremely poor
20 financial results except for the unanticipated supply
21 that came in from offshore.

22 MR. ROSENTHAL: Mr. Pearson, the import
23 surge from 2000-2002 almost precisely matched the
24 decline in consumption. If the imports hadn't surged
25 that 50 million pounds either way, if imports had

1 stayed at their same levels, the U.S. industry would
2 have been precisely where it had been at the beginning
3 of the period of investigation with respect to
4 capacity utilization, so all of that decline, 50
5 million, is matched by the import surge.

6 COMMISSIONER PEARSON: Correct me if I'm
7 wrong, but at a time when the U.S. industry was
8 expanding capacity, if the imports hadn't come in and
9 if there had been a neutrality between the domestic
10 consumption and the imports and domestic production
11 capacity was expanding, there would indeed have been a
12 decrease in domestic capacity utilization rather than
13 a maintenance of that utilization, wouldn't there?

14 I didn't say that very clearly, but I think
15 what you said was not correct or else I did not
16 understand what you said, so maybe you try again,
17 okay?

18 MR. ROSENTHAL: I will try again. The
19 imports I believe increased by 50 million pounds.

20 I'll turn around to my economic consultant.
21 Do you want to give the exact number?

22 MS. BECK: Forty-five.

23 MR. ROSENTHAL: Forty-five million pounds.
24 The market declined by about 40 million pounds. Is
25 that right?

1 If the imports had not surged by that
2 amount, the domestic industry would have been able to
3 have had that 40 million pound capacity utilization or
4 production to add to its capacity utilization and
5 would have had a much healthier capacity utilization
6 rate than it actually had as a result of the import
7 surge. There is almost a one for one tradeoff between
8 the imports and the decline in the market.

9 COMMISSIONER PEARSON: Right. I agree with
10 that.

11 MR. ROSENTHAL: Okay.

12 COMMISSIONER PEARSON: But then when you
13 look at a more than one for one increase in domestic
14 production capacity, we would have expected capacity
15 utilization to fall.

16 MR. ROSENTHAL: It certainly would have
17 fallen, but what you saw here was a spiral that is
18 unprecedented. Not only did capacity utilization go
19 down, and we're not talking just about capacity
20 utilization, but prices went down dramatically because
21 of this surge.

22 What you also saw happen was that two very
23 efficient domestic producers, Sebaco, which planned to
24 get into the business prior to the time of the import
25 surge, and also the facility in Victorville by

1 Sumiden, also very efficient, planned before the time
2 of the import surge, decided that despite their great
3 efficiency they would have to get out of the market
4 because of the import surge.

5 I think you'll see over the entire period of
6 investigation ultimately because of those domestic
7 industry decisions to get out of the market that the
8 essential capacity was flat.

9 MR. KERWIN: Commissioner Pearson, if I
10 could add one point?

11 The increase in domestic industry capacity
12 during this period was almost exactly parallel to the
13 increase in imports during the period. It was around
14 50 million pounds, if memory serves, which is very
15 close to the increase in import volumes in this
16 period, so it's almost a parallel relationship that
17 had the imports not come in the industry would have
18 been almost essentially where it had been at the
19 beginning of the period.

20 I would also point out that yes, capacity
21 did increase, but in relation to the installed
22 capacity at the beginning of the period it was not a
23 massive increase. It was less than 10 percent, which
24 seemed like a rational decision given the degree of
25 growth in the market during the course of the 1990s.

1 COMMISSIONER PEARSON: I'm not sure that I
2 tracked everything you said there. I think I'm out of
3 time. I think I better be quiet for a little while.
4 Thank you.

5 CHAIRMAN OKUN: You are out of time. Thank
6 you, and again thank you to all the witnesses today.
7 It's been interesting to listen to your testimony.

8 Mr. Woltz, maybe I could just clarify one
9 thing that you said in response to Commissioner
10 Pearson just so that I understood in terms of the
11 business cycle. You described 2000 as a good year?

12 MR. WOLTZ: 2000 consumption as relatively
13 healthy in the market. Yes.

14 CHAIRMAN OKUN: Was that kind of the peak
15 before it started to fall down? Would 2000 be a --

16 MR. WOLTZ: I'm sorry. I don't have the
17 data right at my fingertips, but certainly we saw the
18 decline most notably after 2000.

19 CHAIRMAN OKUN: Okay. Any of the other
20 industry witnesses?

21 Mr. Selhorst, any comments on how you'd
22 describe 2000 in terms of the business cycle?

23 MR. SELHORST: I would concur with Mr.
24 Woltz. I would say that the volume and the shipments
25 of 2000 and ultimate demand was still rather robust.

1 You know, we saw a slight decline of ultimate
2 consumption over 2001-2002. I concur with what he
3 said.

4 CHAIRMAN OKUN: Okay. Mr. Burr?

5 MR. BURR: I would concur also. We saw
6 fairly stable volumes, although we did see pricing
7 beginning to decline in our markets during that
8 period.

9 CHAIRMAN OKUN: Okay. Just in terms of when
10 the companies made the decisions to invest in
11 additional capacity, that was the period of 1999-2000,
12 or was that -- I'm just trying to figure out in terms
13 of what you said of what the lead time is when you
14 started planning for this capacity to come on line.

15 MR. WOLTZ: We understand that Sebaco's
16 plans were made in 1999, and they were announced very
17 early in 2000. I'm sure Brian can tell you about
18 Victorville.

19 CHAIRMAN OKUN: Okay.

20 MR. SELHORST: I think it's somewhat
21 pertinent to note that the Sebaco additional capacity
22 that was added in the period of investigation almost
23 identically tracks, and it's only one market
24 participant; almost identically tracks the increase in
25 the capacity of the industry, so it's only one market

1 participant.

2 Speaking for American Spring Wire, we had no
3 capacity additions on the period of investigation and
4 still had an actual decline. I know Sumiden did as
5 well.

6 CHAIRMAN OKUN: Okay. Mr. Burr?

7 MR. BURR: We actually began planning for
8 the Victorville expansion in 1997 and brought that
9 facility on line in 1999.

10 We began working tremendous amounts of
11 overtime in our Stockton, California, facility and our
12 Dickson, Tennessee, facility to help support that, so
13 we were shipping to that market in that area for up to
14 two years prior to the installation of that capacity.

15 The total amount of capacity that came on
16 line, we dropped a portion of that at our existing
17 facilities and dropped back to what we would deem a
18 normal production rate.

19 CHAIRMAN OKUN: Okay. Mr. Rosenthal, did
20 you want to add something?

21 MR. ROSENTHAL: Just when it comes to
22 questions of business planning and projections, et
23 cetera, one of the ironies of these sorts of cases is
24 that if the industry had not gone ahead and made these
25 investments when they did, we'd be sitting here having

1 the importers say gee, you can't supply the market,
2 and we had to supply it because you couldn't supply
3 it.

4 Now that the industry has decided we're
5 going to make these investments so we can supply the
6 market, the importers will say gee, you made the wrong
7 decision. You shouldn't have made those investments.
8 After all, we decided we were going to take that
9 portion to market rather than you.

10 CHAIRMAN OKUN: Taking the point on that,
11 I'm just curious also just in terms of where we are in
12 the business cycle of whether 2000 was a good year,
13 you know, coming off after all these projections were
14 made and then you saw this downturn that affected many
15 businesses, so I was just trying to put that in
16 perspective. It's helpful to hear those additional
17 comments.

18 Let me just turn to a few more questions
19 just about how the market operates. I note, Ms.
20 Cannon, that you responded to a number of the legal
21 arguments that were raised by Respondents, and I'm
22 sure we'll be returning to some of those, but in terms
23 of the issue of the channels of distribution and the
24 points that are raised in the briefs, and we'll have a
25 chance to talk to Respondents about that, I'm just

1 trying to make sure that I understand from producers
2 the big purchasers out there, some of which are
3 listed, and in the briefs things are confidential, but
4 I want to try to just talk to producers and what they
5 can put on the record.

6 The big purchasers that are out there, do
7 they perform or do they act differently in different
8 parts of the market if they're buying for posttension?
9 Would anyone perceive them differently?

10 I'm just trying to understand why we have
11 such confusion in how people responded to these
12 channels of distribution, if it has something to do
13 with how the marketplace operates and maybe how big
14 purchasers act versus smaller purchasers.

15 Maybe, Mr. Selhorst, could you respond on
16 that?

17 MR. SELHORST: I think I understand your
18 question, and I would say that their buying behavior
19 is very, very similar.

20 You know, we are actually taking a shelf
21 item, applying a tag to the shelf item and shipping it
22 to whatever sales that we've secured, so their buying
23 behaviors and their service patterns are very, very
24 similar.

25 CHAIRMAN OKUN: Okay. Mr. Woltz? Just in

1 terms of would an importer think of a purchaser any
2 differently, of what you're aware of and how the
3 market works, how they're buying?

4 We have this issue of the big purchases
5 versus small purchases and the different pretension
6 versus posttension.

7 MR. SELHORST: Maybe I can add from the
8 perspective of an importer. I think because of the
9 volume of what is available to some posttensioning
10 accounts, it might be substantially easier for them to
11 make one sales call and procure at a very low price a
12 substantial volume of material.

13 It's a little harder to get to know the
14 marketplace and to move around the country and
15 understand where other selling opportunities are, so
16 at least from our vantage point as we saw the
17 importing activity it was a convenient sale at a large
18 purchase location.

19 CHAIRMAN OKUN: Okay. Mr. Woltz, did you
20 want to add something?

21 MR. WOLTZ: I think I agree with Tim that
22 it's much easier to make one sales call and get a
23 2,000 ton order from a posttensioner because they are
24 I think without a doubt the largest purchasers in the
25 marketplace and, therefore, the logical place for the

1 importers to go.

2 One phone call will get you 100 truckloads
3 of business, whereas in the smaller customers it may
4 take 10 times or 20 times that number of sales calls
5 to get the same amount of business, so it's I think
6 highly logical that that's where the importers would
7 focus.

8 CHAIRMAN OKUN: Okay. Just in terms of the
9 impact of that on prices, in the description in the
10 staff report and other information it talks about the
11 big sales would come at a lower price than the
12 smaller, individualized sales. Is that how you
13 perceive it and how you are selling to your customers?

14 MR. SELHORST: I'll ask you to repeat that,
15 but, first of all, Mr. Rosenthal is refreshing my
16 thoughts from yesterday.

17 I don't want to give you the impression that
18 importers ignore pretension users and particularly the
19 big ones. That's not the case. Particularly in
20 American Spring Wire's case there's a substantial
21 degree of frustration when the largest purchaser of PC
22 strand is two rights and a left away from our
23 production facility in Texas.

24 We had a regular relationship with that
25 customer, and they wouldn't even talk to us during the

1 period of investigation because they knew from a price
2 standpoint we would not be able to compete. That's
3 heavy frustration. They're a very large purchaser,
4 and I think that's why they were focused on by
5 importers.

6 Your question?

7 CHAIRMAN OKUN: Just in terms of pricing.
8 In other words, if we look at the pricing we have, and
9 I guess you've argued in the brief that AUVs are a
10 pretty good indicator at least for imports. If we
11 look at AUVs in pretension and posttension,
12 understanding your arguments it's one market, but if
13 we look at these prices we see higher prices in a
14 pretension versus lower prices in a posttension.

15 I'm trying to understand what it is. Is it
16 the influence of Buy America on the prices, or is it
17 the influence of them being smaller purchases? I'm
18 trying to understand how prices are set and why they
19 might reflect differences.

20 MR. SELHORST: Yes. We can both respond,
21 but I think, you know, my perspective on that might go
22 back to the way that the importers are selling.

23 If you see a particular account that is a
24 substantial user of PC strand, you're going to make
25 one or two calls across the course of a month. That's

1 where you're going to make your stop, and that's where
2 their competition will be most felt, and that's where
3 we'll have to respond being a commodity with the price
4 situation.

5 We do see them in the prestress business,
6 particularly at the larger buyers. It's the same type
7 of phenomena, but it's not intense because their
8 presence is just not as active there. It requires
9 more sales calls.

10 MR. WOLTZ: Maybe it would help just to
11 point out that the posttension industry is really --
12 the posttensioners are characterized by a relatively
13 few number of relatively large firms, and the
14 pretension industry tends to be much more fragmented
15 so I would submit that it's just a question of buying
16 power. They use it very well. I think it's just the
17 way that the buyers sort out.

18 CHAIRMAN OKUN: Okay. Mr. Burr?

19 MR. BURR: I was going to say I think it's
20 fair to say that some of those large purchasers are
21 going to only pay the lowest price. They won't pay a
22 penny more than they have to for PC strand.

23 CHAIRMAN OKUN: Okay. I have some more
24 questions that relate to kind of what Buy America
25 means for those prices that you receive, but given

1 that my yellow light has come on I will come back to
2 that if it's not covered.

3 Vice Chairman Hillman?

4 VICE CHAIRMAN HILLMAN: Thank you, and I,
5 too, would join my colleagues in welcoming many of you
6 I think actually back here to the Commission and
7 appreciate your time.

8 I guess I want to follow up a little bit
9 more on the questions that the Chairman has been
10 asking in terms of trying to understand the price
11 relationships in the market. First let me start to
12 make sure I understand it.

13 Are there any purchasers that are both in
14 the pretension and in the posttension market, or are
15 all the customers either pretensioners or
16 posttensioners? Is there anybody that does both?

17 MR. SELHORST: I am not aware of anybody
18 doing both.

19 VICE CHAIRMAN HILLMAN: Okay. All right.
20 Help me to understand. Do --

21 FEMALE VOICE: Commissioner Hillman, may I
22 just interrupt for one second?

23 VICE CHAIRMAN HILLMAN: I'm sorry.

24 FEMALE VOICE: There are, and I would direct
25 you to the purchasers' questionnaires, an overlap in

1 the market between customers.

2 VICE CHAIRMAN HILLMAN: If Mr. Selhorst is
3 not aware of any, is there much overlap in those that
4 would be both in the pre and the posttension markets?

5 Again, if this is something that you need to
6 answer in a posthearing brief, fair enough.

7 FEMALE VOICE: Okay. We will do so.

8 VICE CHAIRMAN HILLMAN: All right. Help me
9 understand. Is there much price knowledge that
10 transfers between the pretension folks and the
11 posttension folks?

12 I will say I don't get the impression that
13 there's much actual overlap in purchasers, in the
14 customers that you're calling on. Do the folks that
15 are purchasing in the posttension market tend to know
16 what the prices for PC strand are in the pretension
17 market or vice versa?

18 MR. WOLTZ: Yes. It's one market
19 characterized by larger and smaller purchasers, but
20 there is no wall between the two, and there is
21 visibility and transparency of what's happening in the
22 PC strand market.

23 VICE CHAIRMAN HILLMAN: Okay. How do they
24 know? If they're in the posttension market, how do
25 they know what prices the pretension folks are

1 getting?

2 MR. WOLTZ: They're competing for the same
3 structures. They're in the same industry. They are
4 offering different methods of using the same product
5 frequently for the same structures, be it a parking
6 garage or an office building, so they know the
7 relative competitiveness of their offering in the
8 marketplace.

9 I would venture to say that they can tell
10 you the price of concrete, the price of PC strand, the
11 price of rebar and every other construction material
12 that ultimately affects their competitiveness in going
13 after a particular project.

14 VICE CHAIRMAN HILLMAN: Okay. That's very
15 helpful.

16 Help me understand sort of where in the
17 process they compete for this. I mean, presumably
18 somebody designing a building or a parking garage or
19 whatever the facility has to, I would have assumed, at
20 the design stage sort out whether they're using a
21 pretensioned product or whether they're going to use a
22 posttensioning product. Is that correct?

23 I'm trying to understand. At what point is
24 the decision made we're using a pretension product or
25 a posttension?

1 MR. WOLTZ: You're correct. In the design
2 stage, and the choice may be pretension, posttension
3 or no tension at all. They may use steel instead of
4 concrete, so that is a design -- that is a decision
5 that's made at the design stage.

6 VICE CHAIRMAN HILLMAN: Okay. Are the
7 pretensioning customers that you sell to and the
8 posttensioning customers that you sell to, are they in
9 that process of in essence going to the designers, the
10 engineers and the architects to say you should use my
11 product? How does that work?

12 MR. WOLTZ: Technical associations/trade
13 associations promote different systems for different
14 applications, as well as each company promoting itself
15 within that group, within that industry, so that
16 promotion takes place at both the level of the PC
17 strand buyer, as well as at a level up, which may be a
18 group of companies that are in a trade association
19 together.

20 VICE CHAIRMAN HILLMAN: Okay. I guess my
21 understanding is that certain projects, particularly
22 the public works type, bridges and that sort of thing,
23 are pretty much always a pretension product.

24 MR. WOLTZ: No.

25 VICE CHAIRMAN HILLMAN: No?

1 MR. WOLTZ: No, ma'am. That's not correct.

2 VICE CHAIRMAN HILLMAN: Okay. Help me then
3 understand what portion of the projects that are out
4 there could use either one just as readily, could use
5 either a pretension product or a posttension product.

6 MR. WOLTZ: It may be better to answer your
7 question a different way by saying that a vast
8 majority of the applications could be either.

9 The ones that cannot generally be either are
10 slab on grade applications, which are frequently
11 posttension, and there is not a precast or pretension
12 option there.

13 Correct me if I'm wrong.

14 MR. WAGNER: No. That is correct.

15 VICE CHAIRMAN HILLMAN: I'm sorry.

16 MR. WAGNER: That is correct. I wanted to
17 add that --

18 VICE CHAIRMAN HILLMAN: Mr. Wagner, go
19 ahead.

20 MR. WAGNER: Possibly to answer the question
21 or to get to the issue, both of these groups,
22 pretensioners and posttensioners, are subcontractors,
23 all of whom do their work for a general contractor.

24 A lot of the knowledge about the prices of
25 the products, it makes it into both types of

1 prestressed providers through the general contractors.
2 They're very aware of what the prices are.

3 As well, I just wanted to point out that the
4 import sellers have made offers to pretensioners
5 consistently during the POI.

6 VICE CHAIRMAN HILLMAN: I understand that.
7 Like I said, I'm just trying to make sure I understand
8 sort of at what point this competition between the pre
9 and the posttensioners occurs because I'm obviously
10 struck by the same thing that the Chairman was asking
11 about, which is you describe this as the exact same
12 product going into this one market, and yet I
13 consistently see this not insubstantial difference
14 between the price at which you're selling your product
15 into the pretension market versus the price at which
16 you're selling into the posttension market.

17 Quite frankly, if in fact there is very good
18 price information communicated back and forth between
19 these two markets and it's exactly the same product,
20 it's not typical for us to see again this \$20 or
21 whatever it is difference between again the exact same
22 product being sold into one market versus the other.

23 If there is this tremendous overlap in the
24 project for which the product can be used and this
25 great transmission of pricing information, why do you

1 consistently sustained over this entire period see
2 this gap between the price in one market versus the
3 other?

4 If there are no walls, there's complete free
5 trade in between them, free competition back and
6 forth, why this big gap in the price between what the
7 pretensioners and the posttensioners are paying for
8 what you describe as the exact same product?

9 MR. ROSENTHAL: Commissioner Hillman, I
10 think you're looking at the data for the entire
11 pretension market versus the posttension based on what
12 the staff report has developed. Am I correct that
13 that's what you're looking at?

14 VICE CHAIRMAN HILLMAN: That's correct.

15 MR. ROSENTHAL: Okay.

16 VICE CHAIRMAN HILLMAN: I'm looking at what
17 we priced, Product 1, for example, in the posttension
18 market.

19 MR. ROSENTHAL: My recollection, and I would
20 ask Mr. Kerwin to confirm that I'm correct, is that
21 pretension pricing information also includes the Buy
22 America pricing information that's not segregated. Is
23 that correct?

24 VICE CHAIRMAN HILLMAN: I believe that is
25 correct.

1 MR. ROSENTHAL: Okay. We do not dispute
2 that a portion of the pretension market has Buy
3 America restrictions where there is less than perfect
4 competition. We're not denying that. I think those
5 prices in the Buy America market tend to be higher
6 than in the non-Buy America market, and that might be
7 what's contributing to some of that skewing.

8 I think the other factor as well is that you
9 have smaller accounts versus bigger, and while there
10 is perfect competition and there's knowledge, what
11 happens is that the competition for the particular
12 sale at the garage or the parking structure is that
13 the pretensioner say do you know what? I may have
14 gotten a higher price for my PC strand, but I can
15 otherwise make a competitive bid here even though that
16 price is somewhat higher.

17 I'll let the industry folks who have told me
18 about this elaborate on that.

19 MR. KERWIN: Vice Chairman Hillman, if I
20 could just add one point? I don't think it's unusual
21 to see the type of market power that Mr. Woltz
22 mentioned before in comparison between the posttension
23 area of the market and the pretension area of the
24 market.

25 Pretension tends to be many smaller

1 accounts, and posttension tends to be a few very, very
2 large accounts, and they are going to wield more
3 market power in the marketplace in the same way that a
4 WalMart gets a much better price for the products that
5 it sources than does, you know, the mom and pop shop
6 on the corner. If you aggregated all of your sales to
7 WalMart, it might look quite different than
8 aggregating all the sales to --

9 VICE CHAIRMAN HILLMAN: Just so I
10 understand, do you all provide sort of a volume
11 discount, if you will? Do you get a better price if
12 you're purchasing a larger volume?

13 MR. SELHORST: I'm not sure it's a volume
14 discount. There's not very many more discounts to be
15 had if you look at these numbers up here, but we're
16 faced with keeping our workers busy and meeting
17 competitive situations.

18 We're going to find far more of those at a
19 very large PC strand purchasing account, far more
20 competitive situations, particularly driven by import
21 pricing, than we will at a small prestressor in Erie,
22 Pennsylvania, who is using a load a week.

23 It takes far many more calls and many more
24 selling opportunities to make as many sales to the
25 small prestressing users as opposed to the

1 posttensioner who is using many, many, many loads a
2 week. It's a buying power issue.

3 MR. WOLTZ: Maybe it would help to point out
4 that a desirable pretension account may buy 2,000 to
5 3,000 tons per year from one of our companies, whereas
6 the posttensioners buy up to 60,000 tons per year, the
7 largest of those, so that the buying power is a factor
8 of 10 at many of these accounts. It's substantial.

9 VICE CHAIRMAN HILLMAN: Okay. I appreciate
10 those responses. Thank you.

11 CHAIRMAN OKUN: Commissioner Miller?

12 COMMISSIONER MILLER: Thank you, Madam
13 Chairman, and let me join in welcoming you. Some of
14 you I know have been here before in other cases, so we
15 welcome you back today as well and appreciate your
16 being willing to help us understand the PC strand
17 industry.

18 Today has been very helpful to me because I
19 was confused about some of these different market
20 segment kinds of arguments that we're hearing and just
21 understanding the industry.

22 My colleagues' questions to you have been
23 very helpful, but I'm not quite done yet because
24 really my purpose is to make sure I understand the
25 industry and so I want to follow on a little bit on

1 Vice Chairman Hillman's and the Chairman's questions
2 as well. If it requires going back in time a little
3 bit, if there's been some evolution in your customer
4 base over time, then fine. I'm just trying to
5 understand.

6 If I ask you this question, having now heard
7 a lot about this small versus large tensioner, okay, I
8 guess what I'd like to understand is what is it about
9 these two different markets or same market -- I
10 understand; same market, but these two different
11 customers that you have -- that makes one tend to be
12 small and the other tend to be large? Is it something
13 about the nature of the process that they are in?

14 They're both selling to the same markets
15 you're telling me for the same applications. The
16 pretensioner tends to be small. They're doing in
17 their factory their manufacturing work versus the
18 other going on site. I'm making sure I have this
19 right, so you can tell me no, you don't have that
20 right. Yes. You're shaking your head mostly.

21 Who are these two different customers that
22 you have? I mean, is one more efficient? The big
23 ones doing it on site are just big, efficient
24 companies that operate in a different way?

25 MR. WOLTZ: One of the realities is that the

1 pretensioners are casting huge concrete elements that
2 are transported by truck to a job site where they are
3 erected. The cost of that haul is significant. They
4 have a limited geographic area in which they can be
5 competitive.

6 The posttensioners, on the other hand, may
7 fabricate tendons that can be shipped to a job site.
8 They have no concrete on them, okay? They're much
9 lighter weight. They are much less bulky. A
10 posttensioner based on Houston may be able to quote a
11 job in Milwaukee or LA or Washington, so they're not
12 faced with a very freight intensive element of cost in
13 their final product.

14 COMMISSIONER MILLER: Okay. So they have
15 essentially a bigger market open to them
16 geographically?

17 MR. WOLTZ: Well, geographically speaking
18 they do.

19 COMMISSIONER MILLER: Right. Okay. Maybe
20 that serves as a reason why they have grown larger? I
21 mean, have they gotten more business than the
22 pretensioners that have to operate in a closer,
23 smaller geographical area?

24 MR. SELHORST: Let me add this perspective
25 and just paint this picture for you. The common

1 prestressor has acres of land upon which he is casting
2 these substantial beams or other elements and using PC
3 strand, whereas if you go to a posttensioner who's
4 using truckload after truckload of material you'd
5 expect to see the same kind of setup, but there's no
6 casting in many cases. There are stacks of tendons
7 that have been coated by the posttensioner and cut to
8 length and anchored.

9 It's somewhat of a different business
10 dynamic, and I think the amount of strand used at a
11 pretension account is somewhat a function of the size
12 of the facility, the limitation of the size of the
13 facility that they have.

14 I mean, for them to consume many, many
15 millions of pounds of strand would mean that they
16 would have to have a substantially sized facility to
17 support all the different elements that they're
18 casting on site. A posttensioner doesn't necessarily
19 have that constraint.

20 MR. ROSENTHAL: Commissioner Miller, the
21 data in the staff report indicate that roughly 60
22 percent or so of the share of the strand market is for
23 pretensioners and 40 percent for posttensioners.

24 COMMISSIONER MILLER: Right.

25 MR. ROSENTHAL: That's stayed relatively

1 steady.

2 COMMISSIONER MILLER: I don't know if over
3 time that's changed.

4 MR. ROSENTHAL: It has changed by less than
5 one percentage point over the period of investigation.

6 COMMISSIONER MILLER: Right, but I didn't
7 know historically --

8 MR. ROSENTHAL: If you're asking for
9 historical -- okay.

10 COMMISSIONER MILLER: -- if there's been a
11 change going on that we're only seeing the most
12 recent. You know, it could be a change that took
13 place a long time ago or over the last 10 years.

14 MR. WOLTZ: I think both the pretensioning
15 and posttensioning applications are growing in market
16 acceptance. The one area in posttensioning that has
17 probably grown more rapidly is using PC strand to
18 produce slab on grade construction for residential
19 applications, and that has been a rapidly growing
20 piece of the PC strand business.

21 Other than that, my feeling is that concrete
22 construction, whether it's pretension or posttension,
23 is growing as a part of the market. Each of those
24 methods is growing and taking share from steel, but
25 the slab on grade represents a place where the

1 posttensioners have picked up significant volume.

2 MR. WAGNER: Just one factor, the slab on
3 grade has a lot to do with --

4 COMMISSIONER MILLER: Yes, Mr. Wagner.

5 MR. WAGNER: I'm sorry. Mr. Wagner.

6 The slab on grade has a lot to do with that
7 relative buyer size. The other thing is that in
8 general you could say a post-tension structure is
9 going to be more strand-intensive by its design than a
10 pre-tension structure.

11 COMMISSIONER MILLER: Okay.

12 MR. WAGNER: In terms of its ratio of strand
13 to other material.

14 COMMISSIONER MILLER: Okay.

15 MR. ROSENTHAL: Let me assure you,
16 Commissioner Miller, we are not leaving here until you
17 understand this market.

18 COMMISSIONER MILLER: Oh, great. I was
19 afraid it was going to be a long day.

20 Well, let me go to another, to make sure I
21 understand another element of it, and that relates to
22 the coding, the plastic and epoxy-coated products as
23 well.

24 I think both Mr. Waltz and Mr. Selhorst,
25 both of you made comments about your customers. At

1 one point you did more coated product, but your
2 customers -- you got out of it over time because your
3 customers preferred to do their own coating?

4 MR. WALTZ: That is correct. We did coat
5 strand for several years, but it is -- the customers
6 preferred to do it themselves. I think they also
7 viewed our coating of strand as getting too close to
8 their business to where we may potentially become a
9 competitor, and it created a social problem for us
10 that we preferred to do without.

11 There was not a great demand for it. It was
12 an irritant to our primary customer base, so we
13 stopped.

14 COMMISSIONER MILLER: Okay. And what kind
15 of time frame are you talking about?

16 MR. WALTZ: We were trying to reconstruct
17 that yesterday. We think it was '93 to '98 that the
18 coating operation was active.

19 COMMISSIONER MILLER: Okay. Any other, Mr.
20 Selhorst, you made a similar comment, I think, didn't
21 you?

22 MR. SELHORST: We've looked into coating
23 strands. We have never coated strand, and the reason
24 is, you know, the primary coater that I am most
25 familiar with would prefer to take our very large

1 three-ton reel of strand, run it through his coating
2 line and cut it to the precise lengths that he
3 requires for his job site. So it's somewhat of an
4 inventory management situation.

5 COMMISSIONER MILLER: Okay.

6 MR. SELHORST: For me to be trying to
7 provide that service would be a little bit conflictual
8 with what he is trying to do, and it would be very
9 difficult for me to imagine that we could provide that
10 kind of service to them, cutting to lengths for the
11 particular needs that they have.

12 COMMISSIONER MILLER: Okay. Mr. Burr, I
13 don't know if Sumiden has any experience in this area,
14 if you want to comment on it.

15 MR. BURR: The only type of coating, if you
16 will, that we do is epoxy coating strand, bare strand.
17 Other than that it's just bare strand.

18 COMMISSIONER MILLER: Okay. The yellow
19 light has already hit, but what I really wanted to ask
20 you, and I probably have to come back to it is, is how
21 you then -- I hear those statements, but then you also
22 have made the comment that when your customers could
23 buy a cheaper coated strand, they went ahead and made
24 that move, and to a certain extent that seemed a
25 little bit contradictory.

1 If you are saying that they preferred to do
2 it themselves, why are they buying the imported
3 product?

4 MR. WALTZ: It's purely an economic
5 decision, okay, that the value-added represented by
6 coating is low. It's not like an epoxy coating
7 application where you may triple the value of the
8 strand. We're talking about adding 10 or 15 percent
9 maybe to the value of the bare strand in in doing a
10 plastic coating operation.

11 So it's not particularly enticing to a
12 strand producer to enter yet another highly
13 competitive low margin arena of the market.

14 With that said, we would be of the belief
15 that a vast majority of the coated product that is
16 being imported today is in fact going to post-
17 tensioners that have their own coating capability, so
18 those post-tensioners are making the economic decision
19 to either buy bare strand and coat it, or to buy the
20 coated strand.

21 And we would believe that the overwhelming
22 majority of coated strand is going to companies who
23 can make that decision, to make or buy.

24 COMMISSIONER MILLER: Okay. The red light
25 is on, so if I feel like I need any further answers,

1 I'll come back to it, but appreciate that.

2 MR. ROSENTHAL: We have an example we can
3 provide in the next round.

4 COMMISSIONER MILLER: Okay.

5 CHAIRMAN OKUN: Commissioner Koplan.

6 COMMISSIONER KOPLAN: Thank you, Madam
7 Chairman. I want to thank the witnesses for their
8 testimony. I'm less confused now than I was when we
9 started, but I'm still working on it, so let me start,
10 if I could, with you, Mr. Waltz.

11 In your direct presentation, you testified
12 the prices in the Buy American market have been
13 adversely affected by the dumped imports as well.
14 That was in your direct testimony.

15 I'm wondering whether you can document
16 specific examples of that. Could you provide us with
17 dates, quantity, and all relevant data that might be
18 useful to us because I don't have that kind of
19 information now?

20 I didn't hear you.

21 MR. WALTZ: Yes, we can provide the
22 information.

23 COMMISSIONER KOPLAN: You will do that for
24 the post-hearing?

25 MR. WALTZ: Yes.

1 COMMISSIONER KOPLAN: Okay. I would like to
2 ask the other domestic witnesses, Mr. Selhorst, Mr.
3 Burr, Mr. Feitler, whether your experience has been
4 the same? Have you found a ripple effect from the
5 dumped imports with regard to your Buy America
6 transactions? And if so, can you similarly provide
7 specific examples for the post hearing?

8 MR. SELHORST: Yes, we have seen a ripple
9 effect, and yes, we will provide.

10 COMMISSIONER KOPLAN: With dates, quantities
11 and who was involved, and whatever detail and
12 documentation you might have?

13 MR. BURR: Brian Burr with Summiden. We can
14 provide that also in the post-hearing brief.

15 COMMISSIONER KOPLAN: Thank you.

16 Mr. Selhorst, are you comfortable with that?
17 I see -- you are?

18 MR. SELHORST: I'm looking at my sales guy
19 back there to get -- yes, we can.

20 COMMISSIONER KOPLAN: And he's telling you
21 you can?

22 MR. SELHORST: Yes.

23 COMMISSIONER KOPLAN: Okay, I'm going to
24 hold you to that. Thank you.

25 In your pre-hearing brief at page 40, you

1 argue that, and I quote, "Although imports may not
2 compete for sales subject to Buy American
3 requirements, the vast majority of sales of PC strand
4 in the U.S. market are not subject to such
5 restrictions and place no bar on import competition."

6 I have also listened to the testimony thus
7 far today. However, according to data submitted by
8 purchasers in response to Commission questionnaires,
9 48.5 percent of purchases are purchase in the
10 uncoated, pre-tension market; that is about 45.9
11 million pounds were Buy American purchases.

12 The pre-tension market is where respondents
13 claim the great majority of domestic shipments are
14 made, and where the market share of subject imports is
15 minimal. Thus, they argue that in the pre-tension
16 segment of the market the domestic industry is to a
17 great extent shielded from import competition. That's
18 why I am particular interested in the response to my
19 first question that I get post-hearing.

20 At this point I'm not necessarily convinced
21 of your position. First, do you disagree with the
22 definition of Buy American as contained in the
23 Commission's questionnaire instruction booklet and
24 repeated in Footnote 5 at Chapter 2, page 8 of the
25 staff report?

1 Assuming you do not disagree with the
2 definition, I would like to hear further, first, from
3 the industry witnesses as to why such restrictions or
4 preferences should not be a considerable factor in my
5 final analysis of uncoated, pre-tension domestic
6 shipment. And then after I have heard from the
7 domestic witnesses, I would like to hear from Mr.
8 Rosenthal.

9 So I could start with you, Mr. Selhorst.

10 MS. CANNON: Well, we were going to start
11 perhaps, Commissioner Koplan, with the very first
12 question you asked, was whether we disagree with the
13 definition as a premise. Shall I start with that?

14 COMMISSIONER KOPLAN: If you could respond
15 to that, but I would like to hear the second part from
16 the --

17 MS. CANNON: Sure. The answer to the first
18 question is that we did disagree with that definition,
19 and the reason we disagreed with it is because it
20 expanded the definition of the Buy America
21 requirements beyond what are actual requirements to
22 preferences. It included a reference to preferences,
23 and preferences for Buy America are simply a choice of
24 the company, and preferences can be overcome by
25 salesmanship and other factors.

1 And so yes, we did disagree, and that's why,
2 in fact, we think those numbers are inflated and are
3 higher than they should be. But that's the basic
4 position we took in response to the definition. And
5 I'll turn to the witnesses for --

6 COMMISSIONER KOPLAN: I appreciate that, and
7 I realize that in that footnote it does describe
8 preferences as well as part of the definition.

9 MR. SELHORST: May I ask you to restate your
10 question, please?

11 COMMISSIONER KOPLAN: Okay. You just asked
12 for the question. You didn't ask for the background
13 leading up to it. So the question is, assuming that
14 you do not disagree with the definition that we used
15 in our booklet, Ms. Cannon has already responded to
16 that, I wanted to hear you, the domestic witnesses, as
17 to why such restrictions or preferences should not be
18 a considerable factor in my final analysis of
19 uncoated, pre-tension domestic shipments.

20 And the reason I'm asking is because this
21 table I referred to, okay, reflects that 48.5 percent
22 of purchases in the uncoated, pre-tension market as
23 reported by purchasers in response to Commission
24 questionnaires, were Buy American purchases, and
25 that's Table -- it's in Chapter 2 at page 8 of the

1 staff report. I believe it's Table 2, No. 1, and that
2 's on page 9 of the staff report. That's a public
3 table.

4 What is shows just for the record is that in
5 pre-tension applications about 45.9 million pounds
6 were Buy American, and 48.7 were unrestricted.

7 MR. SELHORST: Okay. Yes, I'm getting some
8 different thoughts about numbers and et cetera.

9 COMMISSIONER KOPLAN: You understand though?

10 MR. SELHORST: Yes. I guess my overall
11 response is that it's not -- in my mind that workers
12 PC strand. I look at sales of PC strand and dollars
13 and selling prices. I don't look at sales of post-
14 tension strand or pre-tension strand. I look at sales
15 of PC strand.

16 As we saw earlier, there is not nearly
17 enough of a Buy American market segment for us to
18 drive our business off of.

19 COMMISSIONER KOPLAN: My point, Mr.
20 Selhorst, is that when we asked purchasers, people
21 purchasing the product to respond as to what
22 proportion, you know, we were looking at, almost half
23 in the pre-tension market, I'm talking about the
24 responses that we got to the questionnaires, almost
25 half said that the purchases were subject to such

1 restrictions.

2 And so that's what we got. And based on
3 what we received as reflected in that table, you know,
4 I don't feel it's fully addressed for me, and that's
5 why I am interested in what each of the domestic
6 industry witnesses would say in response.

7 And quite frankly, your response post-
8 hearing, as well, to the question of the ripple
9 effect, I would find of interest with regard to what
10 I'm looking at in this table.

11 MR. SELHORST: Right. And I think I said
12 earlier there is certainly a ripple effect in the Buy
13 American.

14 Is the question you're asking relative to
15 the disparity in the responses that you're seeing from
16 purchasers versus what you are seeing in the actual
17 data of actual order shipped pounds?

18 COMMISSIONER KOPLAN: Well, you speak in
19 terms of total shipments. I'm looking at what's come
20 back in response --

21 MR. SELHORST: Yes.

22 COMMISSIONER KOPLAN: -- to Commission
23 questionnaires.

24 MR. SELHORST: You're trying to get an
25 understanding of why there is a disparity between

1 shipments and purchasers actual responses?

2 COMMISSIONER KOPLAN: No, I think I
3 understand that.

4 Do you want to help, Mr. Rosenthal, because
5 I want to get --

6 CHAIRMAN OKUN: Mr. Rosenthal, your
7 microphone, please?

8 MR. ROSENTHAL: Sorry. Mr. Waltz would like
9 to answer, and I'll try to clarify --

10 COMMISSIONER KOPLAN: You will work with Mr.
11 Selhorst to help me? Thank you. Mr. Waltz.

12 MR. WALTZ: Let me take a crack at it. But
13 from the numbers that you just cited, it sounds like
14 somewhere in the neighborhood of 90,000 tons of
15 product -- oh, I'm sorry, 90 million pounds or 45,000
16 tons is accounted for there.

17 COMMISSIONER KOPLAN: Right.

18 MR. WALTZ: And I would guess that that's
19 somewhere in the range of 25 percent of the pre-
20 tension market.

21 COMMISSIONER KOPLAN: I appreciate that.

22 MR. WALTZ: So let me start by saying that
23 it's a tiny fraction of the market. But the reason
24 that there is an impact on Buy America is that many of
25 these customers buy both Buy America and non-Buy

1 America, so we're looking at a very small part of the
2 pre-tension market, and within that market there are
3 customers who buy both products, so they are very
4 knowledgeable about what's happening in the market as
5 a whole, and their knowledge is not confined just to
6 what is happening within the Buy America sphere of the
7 market. So I think that's one reason that you should
8 consider that the impact of imports and supply and
9 demand on Buy America and non-Buy America is similar.

10 COMMISSIONER KOPLAN: I hear you. If Mr.
11 Burr could respond as well, I can wait until the next
12 round.

13 CHAIRMAN OKUN: I think Mr. Selhorst is
14 going to respond as well now, so I don't know if you
15 want to --

16 COMMISSIONER KOPLAN: We can come back, and
17 I will start with this point, and you can come back in
18 my next round on this. I will just say to you so you
19 can think about it. I am viewing this table as a
20 representative sample. I realize it doesn't represent
21 all purchases. I'm saying that I view what we've got
22 in our questionnaire responses as a representative
23 sample of what's going on.

24 And with that, thank you, Madam Chairman,
25 I'll come back to you the next round.

1 CHAIRMAN OKUN: Commissioner Pearson.

2 COMMISSIONER PEARSON: If you would indulge
3 me, I have a longstanding interest in why investments
4 get made or disinvestment decisions are made in
5 business, and it goes back to my own experience of
6 having made a decision or two that I really wished I
7 could have back, you know, we were talking earlier
8 about the expansions and contractions that we have
9 seen in domestic production capacity.

10 I am advised that there is likely a new
11 plant opening in Texas, perhaps even this week.
12 What's going on in the market? I mean, if things are
13 tough in your business, why is new capital being
14 attracted into it?

15 MR. WALTZ: There is no rational explanation
16 for it. The case of -- in case of Camesa, they have a
17 substantial dumping margin that they're looking at,
18 and potentially they want to stay in the business on
19 this side of the border rather than being out on the
20 other side of the border.

21 But in putting our heads together, there is
22 - we just can't figure it out.

23 MR. ROSENTHAL: Commissioner, if this is the
24 investment we have heard about too, what it sounds
25 like is a decision to circumvent or get around the

1 dumping order by establishing some sort of facility in
2 the U.S. I'm not sure that I would characterize the
3 investment as substantial because we don't know
4 precisely what they will be doing there. It may be
5 simply doing a minor bit of processing to get out from
6 underneath the order. It may be not much more than a
7 bare minimum so that they don't have to pay the
8 dumping duties.

9 That would be the only rationale answer.
10 There certainly isn't an economic justification for it
11 other than avoidance of antidumping duties.

12 COMMISSIONER PEARSON: Mr. Burr.

13 MR. BURR: My understanding is that that
14 equipment was purchased about a year and a half ago,
15 and was originally intended for the Mexican market,
16 and I think as a result of these dumping cases they
17 have decided to put that equipment in the U.S. in the
18 hope of, as Mr. Rosenthal said, circumventing the
19 dumping case against Mexico.

20 COMMISSIONER PEARSON: Just elaborate for a
21 little bit, if you could, on the whole question of
22 circumvention. How could structure an import of any
23 product to circumvent an order if we put one in place?

24 MR. SELHORST: Well, I guess my speculation
25 would be that PC strand is actually a product made up

1 of seven wires, and you could simply draw the wire on
2 the bobbins in Mexico, and ship those bobbins across
3 the border, and you have them stranded in Roseberg, in
4 Texas.

5 COMMISSIONER PEARSON: And clarify you
6 could, most facilities would be -- that are making PC
7 strand, they would be drawing the wire right at that
8 facility, and then stranding it there also?

9 MR. SELHORST: Every facility that I'm aware
10 of manufacturers PC strand that way, yes.

11 COMMISSIONER PEARSON: Okay, and give me
12 some idea of the amount of investment that goes into
13 the wire drawing part of a facility versus the
14 stranding part, just in rough terms.

15 MR. SELHORST: You know, it's a substantial
16 amount. I would estimate at least half, up to half of
17 the total investment.

18 MR. WAGNER: Actually, if I may, it's a
19 three-step process to make PC strand. You must
20 prepare the rod that you draw, then you draw that into
21 wire, and then there is a finishing end, stranding and
22 stress relieving. By only doing stranding and stress
23 relieving, it's likely to be only about 25 percent of
24 what a full investment would be.

25 COMMISSIONER PEARSON: Okay, thank you, Mr.

1 Wagner. That's a useful clarification.

2 MR. ROSENTHAL: Commissioner Pearson, we
3 know exactly what they are going to be doing there, so
4 we hesitate to characterize it, but one thing we do
5 know, and it's in the record of this investigation is
6 that the Mexican producers have been trying to
7 circumvent the order by shipping in bare strand that
8 is lightly coated with zinc and trying to call it
9 galvanized. And we have alerted the Custom Service
10 about that.

11 It shows not only their interest and desire
12 to get into the market, but their creativity in trying
13 to get in as well. So we are somewhat skeptical about
14 the investment in Texas as you describe. Even if it
15 were a full-scale investment, what it shows is that
16 not that they see a great market here under the
17 current conditions, but that they can't ship here
18 given a dumping order, and they have to make some kind
19 of investment.

20 COMMISSIONER PEARSON: Mr. Burr, did you
21 have another comment?

22 MR. BURR: No.

23 COMMISSIONER PEARSON: Okay. Well, let me
24 shift gears then if I could. I am curious about
25 nonsubject imports. Why did you single out the

1 countries that we're dealing with for the action and
2 not some others?

3 MR. WALTZ: We singled out the countries
4 that were most aggressive and most egregious in their
5 activities in the market. That was the threshold that
6 we used. It's not that we're opposed to imports that
7 play by the rules and are here in a responsible
8 fashion to serve the market, and there are several of
9 those as is reflected in the data.

10 But we went after those who were not
11 responsible and who were being highly disruptive and
12 irresponsible in the market.

13 COMMISSIONER PEARSON: And the price data
14 that we have would indicate that some of the importers
15 may be more responsible than others?

16 MR. ROSENTHAL: That is true based on
17 average unit values, but I would also add a lawyer's
18 overlay. We actually had to go in and investigate
19 which companies and countries were responsible for
20 dumping and subsidy practices, and that was ultimately
21 -- the list before you were the countries that we
22 found to be both dumping or subsidize, and likely to
23 be found to be causing injury individually or
24 collectively.

25 COMMISSIONER PEARSON: I am curious too

1 about another issue, the nonresponse by the post-
2 tensioners to the questionnaire provided for this
3 proceeding.

4 What are we to infer from that? Are they
5 not interested in this action? I mean, they have no
6 interest in the outcome? Aren't they part of the
7 domestic industry? What's going on here?

8 MS. CANNON: I think, Commissioner, that you
9 can infer exactly that, that they're not part of this
10 industry, and that's why they didn't particularly have
11 an interest in or worry about responding.

12 Their activities, as I described, are just
13 the minimal plastic coating, and that would take it to
14 the end of anything that this industry would do.
15 Their major investments and activities go beyond that.
16 They are involved in the architectural design, they
17 are involved in cutting the product, they are involved
18 in the casting, the installing, that's what their
19 business is.

20 So the fact that they happen to incidently
21 do coating is somewhat irrelevant to the whole process
22 that they provide, which is why we have argued that
23 they really shouldn't be considered part of the
24 industry, and I think the lack of their response is
25 indicative of that.

1 The other thing I would add is that,
2 frankly, because the activity that they provide for
3 the most part is the post-tensioning operation, most
4 of them could not fill out the questionnaire that you
5 gave them because the questionnaire asked for data on
6 their sales and their profits and et cetera of PC
7 strand. They aren't making profits on the sale of PC
8 strand for the most part because they don't sell PC
9 strand. They sell a complex structure which PC strand
10 is a small part.

11 So while I understand a few of them sell a
12 small amount of coated PC strand, most of them sell
13 the entire structure operation, and it would make it
14 impossible really for them to break out and isolate
15 profits and other types of trade data on PC strand.

16 COMMISSIONER PEARSON: Okay, perhaps fair
17 enough, but those companies, some of them anyway, are
18 purchasing meaningful quantities of imported coated
19 product. I would think that they stand potentially to
20 be hurt by a loss of availability of that product if
21 an order was to go into place.

22 MS. CANNON: The companies that are
23 purchasing coated product is what you're speaking
24 about?

25 The people that are purchasing the coated

1 product are not going to be particularly bothered by
2 this case because, as Mr. Waltz described, a large
3 faction of that is simply a matter of buying the
4 imports that are cheaper coated, as opposed to buying
5 cheap imports and coating them themselves. It's an
6 economic decision. They can do one or the other, and
7 perhaps I should let Mr. Wagner describe what his
8 exact experience in the market are with a quota.

9 MR. WAGNER: Yes, my impression is they are
10 not that concerned about not having product or
11 availability because they understand the amount of
12 capacity that the domestic industry has.

13 And you know as well, most of the feedback
14 that I have had from them is that they do not view the
15 underselling by the imports as particularly beneficial
16 to them over the years, but they didn't gain any
17 particular advantage from them.

18 COMMISSIONER PEARSON: Okay, so you're
19 suggesting we would infer that they have the
20 capability to do their own coating, they are not
21 afraid of a shortage in the marketplace if they lose
22 the availability of, in this case, as to the Mexican
23 product? And so they can stand aside and let things
24 go either way and be okay?

25 MR. WAGNER: Yes, in fact, they had

1 discussions of their neutrality within their own
2 association.

3 MR. WALTZ: Well, with respect to the
4 imports of the coated product, it's our understanding
5 from discussions with Sun Coast, which is the largest
6 importer, largest post-tensioner for that matter, that
7 they view the lack of discipline in the market as
8 harmful to them, and that they wanted to be the
9 channel that received that coated strand coming in, so
10 that they could control it, because I do think that
11 there has been -- there has just been a lot of market
12 turmoil caused by the constantly falling prices of PC
13 strand, be it coated or uncoated, that has not served
14 these large purchasers well necessarily.

15 So they are interested in controlling those
16 imports.

17 COMMISSIONER PEARSON: Thank you very much.

18 My time has expired, Madam Chairman.

19 CHAIRMAN OKUN: Thank you.

20 Mr. Rosenthal, in response to one of Vice
21 Chairman Hillman's questions you had noted that the
22 pricing data that we collected would include the Buy
23 American purchases or sales, I guess, and so I guess I
24 took from that question meaning since they were
25 sheltered, they would be the higher -- show higher

1 prices in there.

2 MR. ROSENTHAL: I think there is some
3 shielding, but I think you've also heard testimony
4 that indicates that shielding is somewhat limited too,
5 because, as Mr. Waltz said, Buy America customers also
6 purchase for non-Buy America sales or applications
7 too, so there is some erosion of pricing in Buy
8 America sales because of the non-Buy America prices
9 being offered. But there is some difference.

10 CHAIRMAN OKUN: Okay. And I understand that
11 they providing additional information post-hearing,
12 but I guess when I was looking at this record earlier
13 it struck me that, to the extent there is still a
14 higher price for Buy American product, if I understand
15 it correctly, that the data that we have, at least
16 where we have it broken out for product one, a big
17 product in the pre-tension market, the U.S. prices we
18 see there in terms of -- my point would be, I guess,
19 that it seems like the underselling would be
20 overstated because had we taken out Buy American, the
21 U.S. prices would have been -- are likely to be lower,
22 right? The margins of underselling would have been
23 less?

24 MR. ROSENTHAL: I'll let Mr. Kerwin answer
25 this one.

1 CHAIRMAN OKUN: Okay.

2 MR. KERWIN: It would seem to me. I mean, I
3 wouldn't agree that those data have to be broken out
4 separately. I mean, as it is we feel that the data
5 have been broken out more than we think is valid
6 already in terms of breaking things out between the
7 pre- and the post-tension market.

8 CHAIRMAN OKUN: I understand that, but I
9 guess what I am trying to understand, again, I mean,
10 go back to this point of this is a -- you know, Mr.
11 Rosenthal has been here a lot. I mean, this is a high
12 percentage of Buy America, and I know in your brief
13 you have addressed what other cases we have looked at,
14 and I think Supercomputers is the case you have
15 discussed.

16 I would be curious for you to look at some
17 of the other cases, and then talk about, again as a
18 condition of completion.

19 And to the extent that there is still a
20 price advantage for the Buy American portion of the
21 sells, which I haven't heard anyone dispute. I mean,
22 I hear the erosion and obviously we don't see that,
23 but some of the information you submit may help us
24 with that, it would seem to me that the prices for
25 that part that we can look at, where we know there is

1 a high proportion of Buy America would be higher
2 prices. The price overall would be higher in this
3 pricing data than were they broken out. That's what I
4 was trying to understand.

5 When we're evaluating this pricing, wouldn't
6 that -- I mean, isn't that the assumption I have to
7 make in looking at this? If I know what percentage is
8 Buy American, and I understand that they still have a
9 premium, that the pricing there would be higher than
10 it might be for if you just saw the non-America, the
11 unrestricted portion versus unrestricted portion.

12 MR. KERWIN: It could work out that way. I
13 have not seen the data, so I can't say anything
14 categorically. It's difficult to say in advance that
15 what element of the relative price, the relatively
16 higher price to the pre-tension area of the market
17 would be due to the fact that some portion of that was
18 under Buy America provisions versus the relatively
19 smaller purchases among many separate purchasers of
20 the product.

21 I haven't seen the data so I couldn't say
22 anything categorically.

23 CHAIRMAN OKUN: But you see the data. I
24 mean, again, I mean, I understand your argument on not
25 breaking it up. But to the extent that, you know, it

1 seems to me in listening to producers that you
2 recognize the pre-tension/post-tension. There is, as
3 I understand it, very limited overlap between the
4 purchasers.

5 So you know, again, whether you call this
6 segment or not, and again, Mr. Kerwin, I understand
7 the arguments you made on whether you call we segment,
8 as a condition of competition I still think it's
9 relevant to understand what's going on with pricing,
10 and where we see a lot of domestic sales and we can
11 look at what's under Buy America, it seems to be is
12 relevant to determine, you know, what effect that
13 shielded portion has on the rest of your market, and
14 that's what I'm trying to get at in looking at these
15 prices.

16 MR. ROSENTHAL: I understand perfectly, and
17 I certainly think, in response to your question, and
18 Commissioner Koplan, is relevant. It's a condition of
19 competition. It is higher Buy America percentage than
20 I have seen in recent cases.

21 But when you come down to it, and you look
22 at all the data in the record, what you find is, one,
23 while maybe a higher percentage of Buy America set
24 aside than in other cases, and we again think this
25 should be between preferences and requirements.

1 What the record shows you is that it's not
2 sufficient to shield this industry from very, very
3 vigorous import competition; that despite a 30 percent
4 overall Buy America market, despite a slightly higher
5 percentage in the pre-tension market, this industry is
6 having its clock cleaned by imports, and that imports
7 are not only taking significant market share away from
8 the overall market; they have taken a lot more away
9 from the post-tension market for the reasons you have
10 heard. They have also taken sales away from the pre-
11 tension market, and they have had a ripple effect on
12 pricing in the Buy America market.

13 So while I concede that you must acknowledge
14 Buy America preferences, requirements as a condition
15 of competition, the ultimate conclusion will be so
16 what? The industry is still getting killed despite
17 the presence of Buy America requirements.

18 CHAIRMAN OKUN: Okay. Does an industry get
19 killed, as you put it, if you're looking at that
20 portion?

21 I mean, again, I mean, one of the arguments
22 respondents have made is that, okay, we acknowledge
23 what's going on with the set aside for the Buy
24 America, whether you call it the preference or the
25 requirement, there may be some barriers. And then you

1 have a portion of the market where the domestic
2 industry competes but a much lower -- a lower volume.
3 I mean, just in terms of where your sales.

4 Is the injury from that sufficient for us to
5 make that determination?

6 MR. ROSENTHAL: Absolutely. You have heard
7 a couple of times, and I'll restate it in very simple
8 terms, this industry cannot live by Buy America alone;
9 not even close to that. If you look at what happened
10 just -- if you want to segment the market, and we
11 don't agree that you ought to be looking at these
12 market segments the way respondents have urged you to,
13 but if you just look at the post-tension market, which
14 the respondents argue is the growing or faster growing
15 portion of the market, you will see that they have
16 taken 50 million pounds away from the domestic
17 industry in that area.

18 And I hope you are convinced by this point
19 from the record and the testimony that this domestic
20 industry has always competed in the post-tension
21 element of the market, has vigorously competing, and
22 has lost sales. You have got plenty of data there.

23 So even if you segregated the Buy America
24 portion, there is enough loss going on in the post-
25 tensioning end of the market on volume and on pricing

1 to find that the imports have caused injury to the
2 domestic industry overall.

3 Then you go further, and again, adopting
4 this slice-and-dice approach which I don't urge upon
5 you, but if you look at the pre-tension element of the
6 market too, you will see that, as Mr. Selhorst
7 testified, they have lost sales to imports in the pre-
8 tension market.

9 It is not as if -- the importers, the
10 respondents want you to equate pre-tension with Buy
11 America. That's not true. Even the figure cited by
12 Commissioner Koplan, the purchasers indicate that at
13 best less than half of the pre-tension market has Buy
14 America preferences attached to it. More than half by
15 definition is non-Buy America, and the imports have
16 been competing vigorously there as well.

17 They have not done quite as well as they
18 have done in the post-tension market, but they have
19 gained market share there. They have depressed prices
20 there.

21 So, yes, despite the Buy America provisions
22 and the Buy America segment of the market, imports
23 have caused injury to the domestic industry. And
24 there is no possible way the industry could retreat
25 far enough into a protected area, Buy America or Buy

1 America preferences, to ever survive.

2 CHAIRMAN OKUN: And do I need to find a
3 linkage between the ripple effect as it's been called
4 of the subject import lower prices and the Buy America
5 part of the pre-tension, or is it sufficient to look
6 only to the post-tension part and try to figure out
7 whether the volume in that is significant?

8 MR. ROSENTHAL: I don't think you need to
9 find a ripple effect. Take, for example -- let us
10 assume that 30 percent of the market that's Buy
11 America were actually non-subject imports. And so
12 that instead of the domestic industry having the
13 import share that it had, other non-subject imports
14 had that, and instead what was happening was
15 competition for the remaining 70 percent of the
16 marketplace.

17 The fact that imports have taken seven
18 percent of the market share and the domestic industry
19 has ceded exactly that amount, and that prices have
20 fallen as a result of the lower subject import prices
21 is enough for you to find injury.

22 If you just focus on the 70 percent of the
23 market where there is undeniably subject import
24 competition, I think you have enough to make a
25 finding. We will supply the information we promised

1 to Commissioner Koplan on the ripple effect, et
2 cetera, but you can -- you don't need that to make any
3 affirmative finding in this case.

4 CHAIRMAN OKUN: Okay. I apologize to
5 producers. I rarely let the lawyers go on so long,
6 but I do think there were a number of points, and I
7 understand that you don't see the data broken out the
8 way we do, and so it's helpful to hear Mr. Rosenthal
9 describe it as well.

10 Vice Chairman Hillman.

11 MR. ROSENTHAL: I would acknowledge I'm not
12 Abe Lincoln.

13 VICE CHAIRMAN HILLMAN: I was going to say
14 it but I didn't.

15 Well, I would only sort of second some of
16 the Chairman's questions. I mean, I will say in
17 listening to these responses, Mr. Rosenthal, it
18 strikes me that there is a little bit of you want to
19 have it both ways.

20 On the one hand you're telling me that the
21 fact that there is this persistent price difference
22 between the pre-tension market and the post-tension
23 market is driven by Buy America, and on the other hand
24 you're telling me that the Buy America preference has
25 eroded, and it strikes me there can't be both.

1 So in light of, you know, all of this
2 discussion I would simply urge you to think about
3 addressing that. I mean, again, I mean, I step back
4 at this and look at the pre-tension market, and I'm
5 saying, okay, the domestic industry has 98 - 99
6 percent of that market, and whatever, 40 - 50 percent
7 of it is Buy America, it strikes me that those are
8 significant enough numbers in terms of your share of
9 the pre-tension market and the Buy America share of
10 that pre-tension market that this really does need to
11 be addressed, because it does feel to me as though
12 you're trying to on the one hand explain why -- in
13 other words, either the pre-tension and the post-
14 tension markets are in fact segment, which is why we
15 see this price difference between the two not coming
16 down over the POI, this consistent difference in price
17 between the two; that either is a reflection of a
18 segmented market where there really isn't this overlap
19 that you're describing, or it is a function of Buy
20 America bumping the prices in the pre-tension market
21 up very significant.

22 I mean, it strikes me that it can't be --
23 you can't have both. All I am saying is I would
24 simply urge, in light of what Commissioner Koplan and
25 the Chairman have asked, that you also in the post-

1 hearing sort of address this issue.

2 MR. ROSENTHAL: We certainly will, but I
3 don't want to leave any impression that those are the
4 only choices here, and I do think that it is quite
5 possible to deny the kind of market segmentation that
6 the Commission has found in the past, which Ms. Cannon
7 has said, but acknowledge that there is some portion
8 of the market, the Buy America portion, where there
9 are higher prices and greater protections.

10 And at the same time I think it's perfectly
11 consistent to say, you know what, there is less
12 competition in Buy America, more competition in the
13 other 70 percent, but even in the Buy America portion
14 there is some ripple effect of imports.

15 I think it's a perfectly consistent
16 understanding of the market, and it just happens to be
17 the understanding that my clients have given me base
18 don their life in that market

19 VICE CHAIRMAN HILLMAN: Okay. I mean,
20 obviously, one of the pieces of data that we have on
21 the record is with what has happened in terms of the
22 average unit values on Buy America, which actually
23 show the Buy American AUVs falling by more than the
24 non-Buy America AUVs, which again, you know, there is
25 various ways to look at that.

1 In light of all that we have just said, I
2 would ask you to address that issue as well in your
3 post-hearing. And with that, I hope --

4 MR. ROSENTHAL: Certainly

5 VICE CHAIRMAN HILLMAN: -- we can go onto a
6 different topic, which is, I need to try to make sure
7 I understand the nature of the competition between the
8 plastic-coated product, the uncovered product and the
9 epoxy-coated product.

10 Mr. Waltz, in response to one of the other
11 questions you said that in your view the plastic
12 coating adds, you know, 10 to 15 percent value whereas
13 the epoxy, I think, to use your words, could be as
14 much as 300 percent value added.

15 And Ms. Cannon earlier, in describing sort
16 of the value chain, laid out the bare product,
17 followed by the plastic product, and at the other end
18 was the epoxy product.

19 I need to first understand the nature of the
20 competition between the bare product and the plastic-
21 coated product. And just so I understand it, would
22 you say the vast majority of customers have the
23 capacity to coat, or is it a limited number of
24 customers that are facing this either coat themselves
25 or purchase coated product?

1 MR. WALTZ: Within the post-tension
2 industry, nearly every single participant in the
3 industry has the capability to coat

4 VICE CHAIRMAN HILLMAN: Okay, that's what I
5 needed to know.

6 MR. WALTZ: That's not every firm. There
7 are a couple firms that are new or small who may be at
8 this point buying coated product. My guess is they
9 would represent less than one percent of the market,
10 but they exist.

11 VICE CHAIRMAN HILLMAN: Okay, that's
12 helpful.

13 And then as between the epoxy-coated and the
14 plastic coated, describe to me, first of all, maybe
15 who the end uses are for the plastic. Why would you
16 decide to use plastic coated as opposed to epoxy-
17 coated or vice-versa, and the competition between
18 those two products?

19 MR. WALTZ: Well, I don't think that
20 necessarily they are found in directly competitive
21 applications. The plastic-coated product is plastic
22 coated to be used in an unbonded application, okay.
23 The epoxy-coated product is generally in a bonded
24 application, and we do not typically see that those
25 two products are competing heads up for the same

1 applications.

2 The epoxy product is a highly specialty
3 product that is made for severely corrosive
4 environments, and that's where it has its best value

5 VICE CHAIRMAN HILLMAN: And of the total
6 kind of coated products, epoxy would be what portion
7 of the market?

8 MR. WALTZ: A very small portion. I'm
9 afraid I can't give you a good

10 VICE CHAIRMAN HILLMAN: Okay. But
11 typically, would the price of a plastic-coated product
12 have any effect on the price of an epoxy-coated
13 product?

14 MR. WALTZ: No

15 VICE CHAIRMAN HILLMAN: Okay. Okay. And
16 then it's my understanding that there can be uncoated
17 product used in a post-tension, you know, process,
18 putting it through ducts of some kind? Can you
19 describe for me that process?

20 MR. WALTZ: Correct

21 VICE CHAIRMAN HILLMAN: And again, what
22 portion of the market and what the sort of competitive
23 relationship is between that process versus using the
24 plastic coated?

25 MR. WALTZ: I think Richard Wagner may be

1 able to give you a better answer

2 VICE CHAIRMAN HILLMAN: Okay, Mr. Wagner?

3 MR. WAGNER: I want to be sure I understand
4 the question though.

5 VICE CHAIRMAN HILLMAN: I'm trying to
6 understand the competition between the uncoated
7 product that goes through a duct as I understand it in
8 a post-tension application versus the use of a
9 plastic-coated product.

10 MR. WAGNER: The plastic-coated product is
11 used primarily in smaller situations, tighter
12 situations where you have a slab on-grade that might
13 represent sort of a home, and what they need is just a
14 certain length where the strand can travel through
15 that plastic protection.

16 When you are in a bridge or an overhead-type
17 structure that's going to be cast in-place with voids
18 left in it, and then you push bare strand through
19 there, and then you would have anchor zones on each
20 end of it, it's usually a different structure.

21 If you are building a bridge that way, you
22 rarely would use a plastic-coated strand. Typically
23 on a site like that they would use a bare strand.

24 So I would say it's more of a design issue,
25 that they wouldn't -- it's rare for them to directly

1 compete with each other.

2 VICE CHAIRMAN HILLMAN: Okay, so there
3 wouldn't be price competition between that uncovered
4 product in the post-tension application versus the
5 coated product, the plastic-coated product?

6 MR. WAGNER: Yeah, there is because in
7 certain situations they might be competing for the
8 design as to whether it would be bonded or unbonded,
9 so they can compete. I just think, when I think of
10 that usually you have larger projects where you go
11 with the, you know, bonded product that's going to
12 utilize grout in a duct more so than the plastic
13 coating, but they can also compete in those structures
14 as well.

15 VICE CHAIRMAN HILLMAN: Okay. And give me a
16 sense of the portion of the market, of the post-
17 tension market that would be this uncovered product
18 that's going through a duct. Is that a significant
19 volume?

20 MR. WAGNER: It 's probably 20 percent or so

21 VICE CHAIRMAN HILLMAN: Okay. Okay. Thank
22 you. That's very helpful.

23 MS. CANNON: Commissioner Hillman, could I
24 just add?

25 VICE CHAIRMAN HILLMAN: Sure.

1 MS. CANNON: This may seem self-evident, but
2 I think the way the Mexican producers have presented
3 this argument have made it very different. The
4 argument basically is that uncoated and coated PC
5 strand don't compete the post-tension application
6 because the uncoated has to do what Mr. Wagner just
7 described, and then the coated strand is basically
8 what you need.

9 And while that's true at that point, what
10 they are missing is that the vast majority of the bare
11 strand sold to post-tension accounts is coated.
12 That's just the first step of the process by the post-
13 tensioners, so they either buy it coated or they buy
14 it bare. But the subject imports, the vast majority,
15 are all going into these post-tension as are a lot of
16 the U.S. producers' product that is sold as an
17 uncoated product as an initial sale.

18 So the competition is extreme to that
19 extent. It's just a matter of whether they choose to
20 do the coating first or afterwards

21 VICE CHAIRMAN HILLMAN: And Mr. Waltz
22 earlier threw out the general sense that the plastic
23 coating adds in the order of 10 to 15 percent value to
24 the product, and that the epoxy could be as much as
25 three times the value?

1 MR. WALTZ: Yes, and I think when you
2 analyze the value added you need to be very careful
3 about separating the value added by installation of
4 coated strand and engineering-related to the use of
5 coated strand from the process of just coating it;
6 that after the strand is coated, which is the
7 relatively low value-added application -

8 VICE CHAIRMAN HILLMAN: That's the 10 to 15
9 percent number?

10 MR. WALTZ: Yes, that's correct. Then there
11 is all sort of engineering support that really governs
12 and guides the use of the product on the site, and it
13 would be my contention that that's not value added
14 related to coating strand; that's value added to
15 engineering and installation of a product on a job
16 site. The value added in coating is simply the 10 to
17 15 percent.

18 VICE CHAIRMAN HILLMAN: Yes. And then on
19 the epoxy said where you said it could be as much as
20 three times, is that again just the value added of the
21 epoxy coating or?

22 MR. WALTZ: That is just the value added on
23 the material itself.

24 VICE CHAIRMAN HILLMAN: Okay.

25 MR. WALTZ: No engineering included

1 VICE CHAIRMAN HILLMAN: Appreciate those
2 answers. Thank you.

3 CHAIRMAN OKUN: Commissioner Miller.

4 COMMISSIONER MILLER: Thank you, Madam
5 Chairman. I want to do one follow up to Vice Chairman
6 Hillman.

7 Mr. Burr, I think in my last round of
8 questions or somewhere that you mentioned that Sumiden
9 does produce the epoxy-coated strand, and I just
10 wanted to give you the opportunity to add to any of
11 the discussion that Vice Chairman Hillman had just now
12 on the epoxy-coated product, and whether there is
13 anything more you wanted to add, Mr. Burr.

14 MR. BURR: And actually I may defer to Mr.
15 Feitler on that question.

16 COMMISSIONER MILLER: Okay, please.

17 MR. FEITLER: I'm just going to comment that
18 the toxic-coated strand, as H. Waltz had said, is a
19 highly valued engineered product in very special
20 aggressive corrosion applications.

21 COMMISSIONER MILLER: Okay. I just wanted
22 you all to have an opportunity because, Mr. Burr, it
23 looked like you were listening with interest.

24 MR. BURR: Indeed.

25 COMMISSIONER MILLER: And once or twice I

1 thought you were going to jump in and add something.
2 I just wanted to make sure if there was anything you
3 wanted to add, you had the opportunity to do so.

4 MR. BURR: The only thing that I can
5 probably add to that is that cost of production of
6 epoxy strand is pretty substantial compared to bare
7 stand, so it's a much more expensive product to
8 produce.

9 COMMISSIONER MILLER: Okay. Epoxy coat is
10 within the scope of the investigation, correct, Mr.
11 Rosenthal?

12 MR. ROSENTHAL: Yes, it is.

13 COMMISSIONER MILLER: So I know we have this
14 additional issue of the plastic coated versus epoxy
15 coated, and we've been referring to covered, but I
16 think we're going to get all that clarified for
17 purposes of --

18 MR. ROSENTHAL: All of the above are
19 included in the scope of the investigation.

20 COMMISSIONER MILLER: All right. Okay. You
21 mentioned earlier that you wanted to offer one example
22 when we were having this conversation about the coated
23 product and why a customer would choose to buy a
24 cheaper coated product when it seems a little bit
25 conflicting with the idea that they had preferred to

1 do their own coating.

2 MR. ROSENTHAL: Well, I think, we believe
3 it's an economic decision, and that it is evidenced by
4 the fact that the largest post-tensioner in the
5 country, which is Sun Coast, is the primary purchaser
6 of the coated strand coming in from Mexico.

7 So I think that demonstrates that it's a
8 make or buy decision really.

9 COMMISSIONER MILLER: Okay. I don't really
10 have a lot more questions, although, you know, I
11 listened, Mr. Rosenthal, to your exchange with the
12 Chairman, and I had actually written down for myself
13 sort of this question, and that is: Is your case that
14 primarily that the post-tensioners are an important
15 part of the market in this industry can't afford to
16 lose that part of the market? Or is it that you're
17 losing the pre-tensioners as well?

18 Because I think what we're struggling with
19 is we don't see the latter. I understand the point of
20 the post-tension market being a large segment of the
21 overall demand for the product clearly, and I've
22 learned a lot about that today. So that I understand.

23 It's the second that we're having the
24 hardest time with, and I think, Mr. Kerwin, your chart
25 that showed all imports -- I mean, you showed all

1 imports on here, not subject imports. Point made.

2 Okay, so I just want to make sure, and
3 that's it. I want to make one other point. I know,
4 Mr. Selhorst, in your initial statement a couple of
5 times you said we're seeing competition at the pre-
6 tensioners as well. That's what the Commission is
7 struggling with because we don't see it in the data
8 that we have.

9 MR. ROSENTHAL: Appreciate the question. I
10 will say this is one of those instances where I have
11 been coached by my clients. So when you ask is it
12 just the post-tension market or is it pre-tension as
13 well, Mr. Selhorst said, oh, both. And the fact of
14 the matter it is both.

15 Clearly, the imports have focused more on
16 the post-tension market. You can see that in the
17 data. But they have also made in-roads on the pre-
18 tension market as well, and --

19 COMMISSIONER MILLER: That's what we're
20 struggling with finding.

21 MR. ROSENTHAL: Okay. Well, I understand,
22 and what you have seen -- one of the interesting
23 things here is that in the post-tension market there
24 has certainly been lost sales and declining prices. I
25 don't think there is any dispute about that based on

1 the data that you have gotten.

2 What's happened in pre-tension is that the
3 industry has been more successful in retaining sales
4 there. There hasn't been as much market share loss,
5 but there has been some, and you've seen the prices
6 decline because of the domestic industry having to
7 drop its prices to prevent further erosion.

8 COMMISSIONER MILLER: So there it's more of
9 a price case because, you know, you say there has been
10 some market share loss of subject imports. I'm not
11 seeing it in our data. Okay, but I'll take your point
12 on the price case, if that's where you're making your
13 case.

14 MR. ROSENTHAL: And one of the interesting
15 elements of this is at some point during the period of
16 investigation -- we'll expand on this more in the
17 post-hearing brief -- but what you saw happening is
18 that the domestic industry was losing sales to the
19 imports. They decided we cannot continue to drop our
20 prices there, and we are going to have to do whatever
21 we can to maintain our prices as best we can in the
22 pre-tension side of the market, but still those were
23 going down too because of import competition and
24 because of the retreat more into the pre-tension
25 market of all the domestic producers who were trying

1 to sell in the post-tension market, and were doing so
2 on successfully.

3 So the ripple effect, not just through Buy
4 America, but through the pre-tension area was twofold:
5 One, it was more import competition and more dropping
6 prices to deal with that import competition pre-
7 tension, but it was also the domestic producer
8 retreating more into that area and having to drop
9 their prices just to get the sales that they could
10 get.

11 And you will see in some instances -- well,
12 I will expand more on that in the post-hearing brief.

13 COMMISSIONER MILLER: Okay.

14 MS. CANNON: Can I just add one thing?

15 You know, what we're struggling with here, I
16 think, from our vantage, the industry, is that you
17 have made a segmentation at the respondents' request
18 to segment post- and pre-tension customers who buy the
19 same product, who use it for the same purpose, and are
20 being distinguished based on installation method,
21 which is quite different than anything I have seen
22 before.

23 And the pricing data that you have gathered
24 is showing some lower prices in the post-tension
25 accounts than in the pre-tension accounts, which, as

1 our clients have said, which as our witnesses have
2 testified today, is largely because these are the
3 larger customers that are responding. They have
4 market power, and its volume, you know, large volume
5 sales that the imports have targeted.

6 I would submit if you were to look at a lot
7 of other cases and you have the same pattern, if you
8 were to get your data dividing large volume customers
9 from the smaller volume customers, because in many
10 cases, most cases probably that I've been involved
11 with that's what the imports target when they come
12 into a market.

13 If you have a wide array of different types
14 of customers, they're going to go after the larger
15 volume customers right away, and they are going to hit
16 them with the low prices because that's where they can
17 make the easiest erosion into the market.

18 When you look at this collectively, that's
19 what has happened here and you have a huge shift. You
20 have an exact shift, in fact. We don't have
21 nonsubject imports as we often have. We have exactly
22 these subject imports taking a seven percent market
23 share at the expense of the domestic industry in the
24 total market by targeting those big volume customers
25 at low prices, and that's what happened.

1 They have been able to maintain some other
2 accounts at a lot of the pre-tension smaller accounts,
3 but those prices have also gone down, and so they have
4 suffered as you see on the bottom line of price
5 depression effected, downward prices to all the
6 accounts and losses to the industry as a whole.

7 So when you look at it that way, and you
8 really think about it not so much in terms of a market
9 segmentation of people that are totally different, but
10 as a large customer base with imports targeting
11 particular customers and not others, I think that
12 maybe explains a little better why you're seeing some
13 of the differences that you are seeing with lower
14 prices to some of the larger volume customers, are
15 losing a lot of those customers, and, frankly, that's
16 just the start of this.

17 If this case doesn't succeed, it's only a
18 matter of time before the imports can then make in-
19 roads in all the rest of the market with the exception
20 of the Buy America accounts. There is nothing that's
21 keeping them out of the rest of those pre-tension
22 accounts.

23 COMMISSIONER MILLER: Okay.

24 MR. KERWIN: Commissioner Miller, could I
25 add one point?

1 COMMISSIONER MILLER: If you want to, Mr.
2 Kerwin.

3 MR. KERWIN: I am sure you don't want to
4 hear anymore on this topic at this point, but one
5 thing that strikes me in this case in relation to
6 other cases in which the Commission has found separate
7 market segments, I'm thinking back on the disposable
8 lighters case. And in that case there was a domestic
9 producer that produced for a "high end" of the market,
10 and the Chinese imports were coming into a low end of
11 the market. And the Commission found that there was
12 essentially no competition between those parts of the
13 market.

14 And most importantly, that the domestic
15 producer was not in the low end of the market; it was
16 not serving the segment of the market that was at the
17 low end.

18 Well, what's extremely important to remember
19 here is that the domestic industry is in, even if we
20 use the terminology of market segments and we say
21 there is a market segment of post-tensioners, the
22 domestic industry is in that segment and has been all
23 along, and represents a majority of the segment at the
24 beginning of the POI.

25 It's not a matter that imports have grown in

1 that segment and have done so not at the cost of the
2 domestic industry because they weren't there. They
3 were there. They were there the whole time, and we
4 don't deny that the primary volume impact of these
5 subject imports during this period was on the post-
6 tension area of the market.

7 But the point is that that doesn't then mean
8 that there can't be any price impacts from those sales
9 within the post-tension area of the market on the pre-
10 tension of the market even though there was not a
11 substantial volume increase in the pre-tension area of
12 the market.

13 COMMISSIONER MILLER: I appreciate all your
14 explanations and efforts to help us understand the
15 industry. Thank you.

16 CHAIRMAN OKUN: Commissioner Koplan.

17 COMMISSIONER KOPLAN: Thank you, Madam
18 Chairman.

19 I'm not going to come back to the first
20 question because I think you understand my question,
21 and I know that you will respond to me in the post-
22 hearing, and I have got a lot left to go, so I look
23 forward to your response to my first question in the
24 post-hearing.

25 But I will add something to it, and that is,

1 Ms. Cannon, I am mindful of what you said about your
2 disagreement with the definition in our instruction
3 booklet, and I am mindful of the argument you made on
4 that point on pages 55 and 56 of your brief.

5 So all I would ask in addition to what I did
6 on that question is if somehow you can quantify your
7 objection in terms of what I'm looking at in Table 2-
8 1. If there is any way to do that, I would appreciate
9 that as part of the post hearing.

10 I will also note that that same table that I
11 referred to with regard to pre-tension applications
12 covered post-tension applications. And with regard to
13 the post-tension, only 5.1 percent were considered to
14 be subject to Buy American restriction or preferences.
15 Okay, so there were two parts to that table.

16 But if you could take your argument and
17 somehow quantify it to separate out those preferences
18 that you object to, I would appreciate that as part of
19 the post-hearing as well.

20 MS. CANNON: We will try to do so.

21 COMMISSIONER KOPLAN: Thank you very much.

22 Now let's see how much I can cover beyond
23 that. First, this is for the post-hearing. Both
24 sides have spent considerable time in their respective
25 briefs, pre-hearing briefs, on their threat analysis.

1 Mr. Rosenthal, now that you've had an
2 opportunity to review respondents' pre-hearing brief,
3 I would appreciate any further argument you would add
4 to that which is already contained in Section 7 of
5 your brief for the post-hearing.

6 MR. ROSENTHAL: Certainly.

7 COMMISSIONER KOPLAN: Thank you.

8 Next, this is for Mr. Kerwin and Ms. Beck,
9 and again this is post-hearing. The Brazilian
10 respondent in Exhibit 4 of its pre-hearing brief has
11 submitted a, "segment-specific analysis of financial
12 performance of U.S. producers" in five segments: Buy
13 America pre-tension, pre-tension unrestricted, post-
14 tension Buy America, post-tension unrestricted, and
15 post-tension covered, which they use to argue that the
16 financial performance of U.S. producers was not
17 attributable to subject imports. That's at pages 34
18 and 35 of their brief.

19 If for the post-hearing you would provide an
20 analysis of their methodology and the validity of the
21 data that appear in their exhibit, I would appreciate
22 that. Mr. Kerwin and Ms. Beck, will you do so?

23 MR. KERWIN: We'll be happy to do so.

24 COMMISSIONER KOPLAN: Thank you.

25 Moving along, between the year 2000 and 2002

1 domestic producers of shipments of pre-tension PC
2 strand decreased from about 450 million pounds to
3 about 416.5 million pounds even though imports from
4 all subject countries decreased from about 1.8 million
5 pounds to 736,000 pounds.

6 I note that during the same period imports
7 from nonsubject countries increased from about 3.5
8 million pounds to about 4.8 million pounds.

9 How do you explain this? My basis for the
10 question is what appears in the staff report in
11 Chapter 4 at page 12, Table 4-6.

12 Do you want to respond to that now or do you
13 prefer to do that post-hearing?

14 MR. KERWIN: Given that the public version
15 of the report only shows --

16 COMMISSIONER KOPLAN: I'm sorry. As the
17 Chairman said, if each of you could just identify
18 yourselves, it makes it easier for the reporter.

19 MR. KERWIN: Sure. Michael Kerwin.

20 The public version of the report that I am
21 looking at only shows total imports in this version.
22 It doesn't not show the subject and nonsubject imports
23 broken out separately.

24 We would be happy to respond to that in the
25 post-hearing brief.

1 COMMISSIONER KOPLAN: All right. Maybe you
2 could get together with staff prior to responding to
3 that if that's confusing to you. Maybe you could
4 check with them on that, but that was the basis of the
5 question, the cite that I gave you, okay?

6 MR. KERWIN: Very well.

7 COMMISSIONER KOPLAN: Thank you, Mr. Kerwin.

8 At pages 10 and 11 of their pre-hearing
9 brief, Mexican respondents allege that the channels of
10 distribution for uncovered and covered PC strand are
11 different. They provide business proprietary
12 percentages citing to the confidential version of the
13 staff report at pages 14 to 17 at Chapter 1.

14 You all claim at page 14 of your pre-hearing
15 brief that the vast majority of imported uncoated PC
16 strand is sold to end-user post-tensioners.

17 You have heard us state that several
18 importers mistakenly identified these converters and
19 post-tensioners as distributors, but an examination of
20 the customer identified indicates that most PC strand,
21 whether produced domestically or imported, is sold to
22 end-users.

23 I would like to hear from the domestic
24 industry's witnesses as to whether distributors are
25 customers for your product as well as end-user, and if

1 so, how best can we differentiate the channels of
2 distribution for the domestic and subject products?
3 Mr. Waltz?

4 MR. WALTZ: As I testified, I am aware of no
5 firm that acts as a distributor of PC strand. Our
6 sales are all to end-users. We don't sell to people
7 who then resell it or move it around. They use it.
8 They put it on a product, and they may do a job with
9 it, but not to -- we don't sell to distributors.

10 COMMISSIONER KOPLAN: They use it
11 themselves?

12 MR. WALTZ: Yes.

13 COMMISSIONER KOPLAN: Mr. Selhorst?

14 MR. SELHORST: Yeah, I share the same
15 observations as Mr. Waltz.

16 COMMISSIONER KOPLAN: Okay. Mr. Wagner?

17 MR. WAGNER: I just wanted to clarify. We
18 consider them end-users that buy that bare strand and
19 coat it. There are companies that subcontract
20 installing that could confuse the issue.

21 COMMISSIONER KOPLAN: Okay, are you able to
22 break that out with regard to your own transactions?

23 MR. WAGNER: We do no transactions with
24 installers. All strand that we know of is sold to the
25 end-user, you know, post-tension/pre-tension type

1 customer.

2 COMMISSIONER KOPLAN: Is it possible that
3 it's that type of situation that respondents are
4 referring to when they talk about distributors?

5 MR. WAGNER: I'm not aware of how their
6 response was about distributors, but if there is
7 anything that would indicate what we consider end-user
8 be a distributor, I would look into whether they are
9 considering the installer the end-user.

10 COMMISSIONER KOPLAN: Okay. If you all
11 could take a look at that from your own standpoint,
12 that response that Mr. Wagner just gave, and if there
13 is anything you want to add to your answer, Mr. Waltz
14 and Mr. Selhorst, for purposes of post-hearing, I
15 would appreciate it.

16 Mr. Burr?

17 MR. BURR: As far as we're concerned, we
18 have never heard of a distributor in PC strand.

19 COMMISSIONER KOPLAN: Okay. Mr. Rosenthal,
20 will you kind of follow up on that for me post-
21 hearing?

22 MR. ROSENTHAL: Yes, certainly.

23 COMMISSIONER KOPLAN: Thank you.

24 The Mexican respondents in their separate
25 like product analysis claimed that there is a

1 substantial price differential between the cost of PC
2 strand that's covered versus uncovered. It's on page
3 13 of their brief. They claim that covered is more
4 than double the price of uncovered.

5 You argue that price differences simply
6 reflect the price premium on a continuum of different
7 types of a single like product when there is an added
8 expense associated with production. That's at page 17
9 of your brief.

10 You further argue that covered PC stand
11 entails simply minor processing, and we've heard that
12 today as well, of uncovered PC strand by either
13 producers or customers for use in the post-tensioning
14 application, and it's also pages 9 and 10 of your
15 brief.

16 To the extent that you can now, could you
17 please elaborate further regarding your price
18 premium/continuum argument? Can you quantify that for
19 me?

20 I know that Vice Chairman Hillman asked
21 about volume discount, and sort of following up on
22 that, and you know, I've heard this term "price
23 premium/continuum," and I'm wondering if we can get
24 that quantified.

25 MR. ROSENTHAL: Are you asking a different

1 question that the one we answered earlier concerning
2 the value added which Mr. Waltz testified?

3 COMMISSIONER KOPLAN: Yes, I am.

4 MR. ROSENTHAL: Okay.

5 MR. WALTZ: I may answer a question you
6 didn't ask, but --

7 COMMISSIONER KOPLAN: I hope not.

8 MR. WALTZ: -- for the Mexicans to contend
9 that the price of coated strand is twice the price of
10 bare strand, they must be including the value of the
11 engineering, the hardware, anchor and such, as well as
12 the installation on a site to come up with that
13 number.

14 COMMISSIONER KOPLAN: That is helpful. I
15 appreciate that.

16 Now, is there a way you can quantify for me
17 what the price premium on the continuum is? Can you
18 do that, if not now, post-hearing?

19 MR. WALTZ: Well, if I understand the
20 question, if we say that the price of bare strand is
21 one, then the price of coated strand is somewhere
22 between 1.1 and 1.2, and the price of epoxy-coated
23 strand is roughly three.

24 COMMISSIONER KOPLAN: Okay, I appreciate
25 that.

1 Mr. Selhorst?

2 MR. SELHORST: Again, I just concur with the
3 observations he has about the continuum.

4 COMMISSIONER KOPLAN: Okay, thank you.

5 Mr. Burr?

6 MR. BURR: We agree also. That's a fair
7 statement.

8 COMMISSIONER KOPLAN: Mr. Wagner, I see
9 you're nodding in the affirmative as well?

10 MR. WAGNER: Yes.

11 COMMISSIONER KOPLAN: Okay, thank you.

12 I see my time has run out, and I'll save the
13 rest for the next round. Thank you, Madam Chairman.

14 CHAIRMAN OKUN: Commissioner Pearson.

15 COMMISSIONER PEARSON: Perhaps a couple
16 quick questions.

17 The U.S. industry does export some product.
18 Can you tell me to which countries?

19 MR. WALTZ: Insteel is active in the export
20 market to the logical places, which is the Caribbean
21 and Central America.

22 COMMISSIONER PEARSON: Any product into
23 Mexico?

24 MR. WALTZ: Occasionally, yes. It depends
25 on whether their are inquiries. It is not a regular

1 destination for us while the Caribbean and Central
2 America is a regular destination.

3 COMMISSIONER PEARSON: Okay. There is no
4 restriction on sales into Mexico. It's just that it's
5 generally not terribly attractive, is that the -- I
6 mean, it's not high-priced market?

7 MR. WALTZ: Our participation there has been
8 sporadic enough so I'm not sure I can answer your
9 question. I just don't have that much knowledge of
10 the Mexican market.

11 COMMISSIONER PEARSON: Okay. But under
12 NAFTA there is no restriction on that movement, and so
13 one would think that it would basically a unified
14 market on both sides of the border. Is that a
15 reasonable assumption?

16 MR. WALTZ: I'm afraid that I don't have the
17 expertise to answer your question.

18 COMMISSIONER PEARSON: Does anyone?

19 MS. CANNON: Well, I don't have expertise on
20 the market, but I would just point out that the very
21 fact that we have been able to show substantial levels
22 of dumping indicates that their prices are quite
23 different in Mexico than what you're seeing in the
24 United States market, if that's what you're looking
25 for in terms of price.

1 COMMISSIONER PEARSON: Well, that's why I'm
2 a little bit confused because the dumping margins that
3 Commerce found are fairly large. I mean, over 50
4 percent, I think, from Mexico, and if the price level
5 for product in Mexico was that much higher than U.S.
6 product, one would think that there would be --

7 MS. CANNON: Sure.

8 COMMISSIONER PEARSON: -- an incentive to
9 ship U.S. product into Mexico.

10 MS. CANNON: And it's all not related to
11 price differentials. There are cost issues involved
12 in the dumping calculations as well. It is indicative
13 of some price differentials, I believe, and beyond
14 that I don't think the proprietary nature of the
15 information permits me to really get into the
16 calculation of those numbers.

17 I guess I wanted to say when we have been
18 able to ship to Mexico that relative price is much
19 higher than the Mexican offers in the U.S., much
20 higher, so that the relative price that was paid in
21 Mexico when we were able to gain sales there was quite
22 higher than the Mexicans would sell the price in the
23 U.S.

24 Now, I wasn't sure how to answer that
25 question about unified market and that's why I didn't

1 on that.

2 COMMISSIONER PEARSON: I don't know enough
3 about this industry to know, there might be other
4 factors that would limit your ability to sell in
5 Mexico, different specifications or standards for the
6 product, for all I know.

7 MR. WAGNER: To my knowledge, there are not
8 other blocks to trade, other than just logistics or
9 customer preferences.

10 COMMISSIONER PEARSON: My last question has
11 to do with the fact that a lot of product seems to
12 come into Texas as imported product and then from what
13 I have understood it doesn't seem to move beyond
14 there. Obviously, Texas is a place that has a certain
15 demand for P.C. strand. Can you comment on that? Is
16 that an issue that has any relevance to how we analyze
17 this case or how we would consider cumulation?

18 MR. WAGNER: My comment about Texas is that
19 it is, I guess, in my estimation, the state with the
20 largest consumption of P.C. strand. It has a
21 tremendously high percentage of the bridge work done
22 with concrete or prestressed concrete. There's a
23 tremendous amount of higher construction taking place.
24 There's a lot of road work down there, so it's a very
25 attractive market for prestressed strand consumption.

1 MS. CANNON: In terms of how that affects
2 the cumulation analysis, I think the fact that
3 everybody basically sells into Texas shows a
4 geographic overlap of competition which is the factor
5 that the commission is required to consider. There
6 are other areas as well that there are overlaps in
7 competition, but Texas is a huge area where the subject
8 imports are all competing and where the domestic
9 industry competes as well.

10 COMMISSIONER PEARSON: But the imports into
11 Texas aren't competing in a national sense, then, but
12 rather in that regional area?

13 MR. FEITLER: I'd like to make a comment on
14 that. Jeff Feitler, Sumiden Wire. Of course, in
15 Texas, it's the most obvious port of entry for Mexico,
16 but we see significant -- well, I shouldn't say
17 significant, we see volume of covered and uncovered
18 strand coming into the West Coast, Nevada, Arizona
19 California, even as far north as Washington.

20 COMMISSIONER PEARSON: Okay. So it is more
21 than just transcript -- or is the uncovered strand
22 that's coming into Washington, is that coming from the
23 Far East or is it from Mexico?

24 MR. FEITLER: Both.

25 COMMISSIONER PEARSON: Thank you, Madam

1 Chairman. I have no further questions.

2 CHAIRMAN OKUN: I just have a couple of
3 things. Most of the issues that I've been most
4 interested in have been well covered today and
5 I appreciate all the answers you've given.

6 I wanted to know whether you wanted to
7 comment any further in the hearing today in terms of
8 whether we should questionnaire data or import
9 statistics.

10 I know that in your pre-hearing briefs you
11 tended to use official import statistics because we
12 have fairly good coverage and I just wondered if there
13 were any comments, Ms. Cannon, on that, or Ms. Beck.

14 MS. BECK: Well, our position is either
15 source of data shows increasing trends, whether it's
16 been volume or market share. We just thought that the
17 commerce statistics were another good source to be
18 able to corroborate those trends because they do cover
19 100 percent. We did make an adjustment, I will just
20 point out, for Thailand in particular, so there is for
21 certain countries more coverage, so we thought that
22 that would be helpful in your analysis.

23 CHAIRMAN OKUN: Okay. I appreciate that
24 comment.

25 Then also just for post-hearing, the Mexican

1 respondents in their brief raised the semi-finished
2 products analysis, if you would just respond to that
3 in post-hearing.

4 And then, finally, and if you've already
5 answered this, you can tell me that and I'll just look
6 at the transcript, future demand in your industry,
7 what do things look like going forward?

8 Mr. Woltz?

9 MR. WOLTZ: We just completed our business
10 plan for 2004 and we believe that consumption will
11 remain flat to weak through the first half of 2004 and
12 that we should begin to see some recovery in the
13 latter half of 20024 as the construction lag works its
14 way through and we begin to see construction again of
15 commercial, institutional and industrial facilities,
16 and that 2005 should see good growth.

17 CHAIRMAN OKUN: Mr. Selhorst?

18 MR. SELHORST: Yes. I guess I would concur
19 that it's going to be reasonably flat through the
20 first half of the year, particularly in the Texas
21 market I guess we would expect some growth going into
22 2005.

23 CHAIRMAN OKUN: Mr. Burr?

24 MR. BURR: I think we agree with Mr. Woltz's
25 comments on the market in general, where maybe the

1 overall market will go in total consumption, although
2 we do have some concerns about additional surging
3 imports from other countries like China and Argentina
4 after the preliminary margins were announced, so we're
5 watching those closely as well.

6 CHAIRMAN OKUN: And Ms. Beck or Mr. Kerwin,
7 anything you would add in terms of demand statistics
8 that you looked at in preparing your material?

9 MR. KERWIN: The small amount of review
10 I did of the information that's available on the
11 Transportation Equity Act seems to indicate that as
12 far as highways and bridge funding -- highway funding
13 generally at the federal level looks to be somewhat
14 higher, although not massively higher, over the next
15 six years than it has been. So no major trends.

16 CHAIRMAN OKUN: Okay. I appreciate all
17 those comments and, again, I very much appreciate all
18 the answers you've given us today.

19 Vice Chairman Hillman?

20 VICE CHAIRMAN HILLMAN: Thank you.

21 I guess a slight variation on this issue of
22 what's been happening in terms of demand and
23 consumption and that is our data show consumption for
24 P.C. strand grew very substantially between the first
25 half of 2002 and the first half of 2003. We're

1 showing a fairly significant increase in consumption.
2 I'm just trying to understand from the industry's
3 perspective what effect that had on the market,
4 including prices. What was going on in the first half
5 of 2003?

6 MR. WOLTZ: Well, I'm not sure that my
7 comments are going to bear out the data you refer to,
8 but in the first half of 2003, for my company, we
9 reached abysmally low levels of pricing and saw weak
10 shipments through the winter portion of 2003, and
11 there was little or no good news in the market for
12 steel until these cases began to have some impact
13 towards the second calendar quarter of the year, but
14 it was really a very ugly time in the industry for our
15 company.

16 VICE CHAIRMAN HILLMAN: Mr. Selhorst?

17 MR. SELHORST: I'm surprised to hear the
18 statistics about the robust early part of 2003 as well
19 because coming late into 2002 facing the rather
20 difficult situations of the market, particularly from
21 a price standpoint, American Spring Wire did try to
22 increase their prices late in 2002 with some temporary
23 and very mild success and that was all lost in the
24 first quarter of 2003. I think quite honestly without
25 the filing of the case, I think that more dramatic

1 decisions might have been necessary on our part going
2 forward from that point.

3 VICE CHAIRMAN HILLMAN: I appreciate those
4 answers.

5 I'm curious, in part, you, Ms. Beck,
6 presented this table and argued that the industry's
7 improvement in the first half of 2003 was due to the
8 filing of the case and yet the filing of the case was
9 here in January and obviously we did not see imports
10 come down until more like July, coincidentally when
11 the Commerce Department issued its preliminary
12 margins, but I'm trying to make sure I understand what
13 evidence there is that shows that the filing of the
14 case has this substantial effect on what happened in
15 2003.

16 I've heard you say it, but, like I said, I'm
17 looking at numbers that are still showing me fairly
18 high import levels. Again, if the case is filed at
19 the end of January, we're still seeing pretty high
20 levels and Mr. Woltz was describing very poor
21 financial performance in the first half of 2003, so
22 just help me understand what evidence you think there
23 is on the record or what information you think you
24 have about what effect this case has had on the
25 market.

1 MR. WOLTZ: Well, I think clearly the case
2 raised the specter into the unlimited availability of
3 extremely cheap P.C. strand and customers who had
4 cozied up to the importers began to wonder whether
5 they would be there or not and they began to come back
6 to the domestic industry in the second calendar
7 quarter. And we did see some improvement in our
8 results in the second calendar quarter as opposed to
9 the first calendar quarter, but it was clearly
10 uncertainty in the marketplace that was created by the
11 cases that were filed and the potential for the
12 leaving of the market by the subject countries.

13 VICE CHAIRMAN HILLMAN: Okay. So you're
14 saying you picked up in your volume of sales in the
15 second calendar quarter.

16 MR. WOLTZ: Yes. And we raised our prices
17 effective during the second calendar quarter or at
18 least the notification of a price increase went out in
19 the second calendar quarter but I believe it took
20 place in June and July, the actual effective dates.

21 VICE CHAIRMAN HILLMAN: Okay.

22 Mr. Selhorst?

23 MR. SELHORST: Yes. I would certainly
24 concur with the thought of the specter of the case and
25 the impact that you do see ultimately there.

1 I believe your preliminary determination came down on
2 March 20th or St. Patrick's Day and from that point
3 forward with the reading of this eventuality coming,
4 our company acted rather swiftly to raise prices
5 really effective April 1st and had dramatic success
6 keeping our prices in place rather stubbornly through
7 that second quarter April through June.

8 VICE CHAIRMAN HILLMAN: And did you also see
9 a volume increase? If so, when?

10 MR. SELHORST: I think our volume increases
11 were more gradual. We began to see them more towards
12 the summer months, but the pricing impact was
13 immediate.

14 VICE CHAIRMAN HILLMAN: Mr. Burr?

15 MR. BURR: We began to see the increased
16 volume around May/June of that year, substantially
17 more than the first part of the year.

18 MS. BECK: And, Commissioner Hillman, we'd
19 be happy to submit for the post-hearing brief
20 examples. We've provided some in our pre-hearing
21 brief, but we have additional examples of cases where
22 the domestic companies have regained customers and a
23 lot of them, it's a progression by month and you will
24 see by volume that as the month progressed not only
25 were the customers regained, but the volumes increased

1 as well as the prices.

2 VICE CHAIRMAN HILLMAN: I appreciate that.

3 The last question, to some extent following
4 up on the question that Commissioner Koplan asked you,
5 but I just wanted to give you an opportunity if there
6 is something that you can say now rather than just
7 doing it in the post-hearing on this segmented
8 profitability analysis in the Hogan & Hartson brief on
9 behalf of the Brazilians, they have broken down the
10 trends, the actual dollar operating income numbers, by
11 these various segments to try to -- I mean, obviously,
12 their point is that it's not imports that are causing
13 these changes in operating income.

14 Now, I didn't know if there was anything
15 that you could say just generally on this approach or
16 this methodology here or whether, again, the actual
17 numbers, obviously, are confidential but the point is
18 that the concept is obviously to look at operating
19 income and then break it out into the markets in which
20 there is or is not import competition and then compare
21 those to try to come to some conclusions about the
22 effect that imports are having on those operating
23 income figure. If there is anything that can or
24 should be said at this point, I would be interested in
25 it.

1 MS. BECK: Commissioner Hillman, I will say
2 at this point -- we will go into more detail in our
3 post-hearing brief, but the methodology that was used
4 by respondents we completely disagree with, it was
5 purely guesswork, a lot of assumptions were made that
6 we do not agree with and the data in order to try to
7 prove that we were more profitable in one area than
8 the other, again, we completely disagree with and
9 we'll go into that in more detail.

10 Given the proportion of the market that was
11 affected by the low price imports, you will see losses
12 and you will see large losses, no matter how you look
13 at the data.

14 MR. ROSENTHAL: We were mystified at the
15 kind of guesswork that went into this. We admire the
16 creativity, but I don't think there is any way they
17 could actually do this given the data that's on the
18 record or do what they claim to have done, so we will
19 comment more on that.

20 VICE CHAIRMAN HILLMAN: Okay. I appreciate
21 that.

22 With that, I have no further questions.
23 Thank you, Madam Chairman.

24 CHAIRMAN OKUN: Commissioner Miller?

25 COMMISSIONER MILLER: I have no further

1 questions for this session, but I do have one question
2 I would like to pose to you for the post-hearing
3 brief, if you could. I think it goes back to our long
4 discussion about the differences or similarities
5 between the pre-tension and the post-tension market.
6 I think it's fair to say -- well, I remember a
7 question that Vice Chairman Hillman posed very
8 directly at one point about I think the commission or
9 some of us came into this thinking that there were
10 different applications for the two different areas and
11 your testimony today has been that they're basically
12 the same and similar, if you look at the staff
13 reports, the description of the demand
14 characteristics, there's a discussion there about
15 post-tension applications and pre-tension applications
16 and it's based on our questionnaire responses.
17 I guess I would invite you to look at our
18 questionnaire responses and show us how they fit or do
19 they differ with the idea of the applications being
20 the same or what else there is in the record that
21 helps us on that point.

22 MR. ROSENTHAL: Certainly.

23 COMMISSIONER MILLER: Thank you.

24 I appreciate all your responses.

25 CHAIRMAN OKUN: Commissioner Koplan?

1 COMMISSIONER KOPLAN: Thank you, Madam
2 Chairman. I just have a couple of matters left.

3 First, Mr. Kerwin, if I could come back to
4 that request that I made of you with regard to the
5 table in Chapter 4, the table I'm referring to begins
6 on page 12 of that chapter and runs through page 17.
7 The particular portion of the table I'm referring to
8 is on page 12 and this is Table 4-6. Perhaps
9 I created some of the confusion because I rounded
10 numbers, but I have it in front of me, so let me just
11 put it on the record and then you can respond to me
12 post-hearing.

13 First, the table reflects that total U.S.
14 producers' U.S. shipments in the year 2000 were
15 449,888,000 and that in 2002 they had declined to
16 416,515,000. Second, the table shows that with regard
17 to U.S. importers, U.S. shipments from all subject
18 countries in 2000, the value was \$1,783,000 and that
19 declined to \$736,000 in 2002 and that with regard to
20 non-subject countries the total value in 2000 was
21 \$3,412,000 but increased to \$4,805,000 in 2002. Those
22 are the numbers that I was referring to that I would
23 like you to comment on, those trends, post-hearing.

24 Does that help?

25 MR. KERWIN: Yes, it does. That's

1 understood. Thank you.

2 COMMISSIONER KOPLAN: Thank you very much.

3 Then lastly, I was just curious in the
4 design stage, how much of a finished product bid would
5 be accounted for by P.C. strand? I'm referring to
6 steel versus rebar versus pre-tension. I'd be
7 interested in hearing from the domestic industry
8 witnesses on that, starting with you, Mr. Woltz.

9 MR. WOLTZ: If I understand the question, it
10 is what percentage of the finished structure is
11 accounted for by P.C. strand?

12 COMMISSIONER KOPLAN: Yes. When the bid
13 goes in. Right.

14 MR. WOLTZ: Extremely low.

15 COMMISSIONER KOPLAN: Okay.

16 MR. WOLTZ: It's more of a guess than it is
17 actual knowledge, but certainly less than 5 percent.

18 COMMISSIONER KOPLAN: Comparing that, as
19 I said, to other things that you might be competing
20 with for that end use, steel could be rebar other
21 products of the same use.

22 MR. WOLTZ: I'm afraid that that goes well
23 beyond my ability to give you a reasonable answer.

24 COMMISSIONER KOPLAN: So your response would
25 be a very small amount.

1 MR. WOLTZ: Yes.

2 COMMISSIONER KOPLAN: With regard to your
3 own.

4 MR. WOLTZ: Yes.

5 COMMISSIONER KOPLAN: And Mr. Selhorst?

6 MR. SELHORST: Yes. I would agree.

7 The percentage of cost within a particular element may
8 be higher, but within the entire structure, a parking
9 deck, a stadium, a bridge, it's an extremely
10 low percentage.

11 COMMISSIONER KOPLAN: Can you give me any
12 kind of estimate with regard to the percentage you'd
13 be talking about, either of you?

14 MR. SELHORST: Of an element, of a casted
15 element, a pre-tensioned element, maybe it's 15 to
16 20 percent, but in terms of a finished structure, it's
17 got to be well below 5 percent.

18 MR. WOLTZ: And as a case in point, it
19 depends on the structure, too. Currently, there is a
20 huge bridge being built going into Charleston, South
21 Carolina and I believe that that is a \$180 million
22 project that has roughly 5000 tons of strand in it or
23 2.5 to 3 million dollars of strand. So the intensity
24 of P.C. strand in a project like that is different
25 than in a parking garage, it's different than in a

1 slab on grade construction, so the question is really
2 an extremely difficult one to answer and give you a
3 meaningful answer.

4 COMMISSIONER KOPLAN: Do you agree with all
5 that, Mr. Burr?

6 MR. BURR: I agree.

7 COMMISSIONER KOPLAN: Thank you very much.
8 With that, I have nothing further.

9 Mr. Wagner, I saw you reach for your
10 microphone.

11 MR. WAGNER: Just from my experience, the
12 bracket that I would give you is from half of
13 a percent up to about 2.5 percent.

14 COMMISSIONER KOPLAN: Thank you.

15 I have nothing further. Thank you all very
16 much for your responses.

17 CHAIRMAN OKUN: If there are no further
18 questions from my colleagues, I'll turn to staff to
19 see if staff has questions of this panel.

20 MR. DEYMAN: I'm George Deyman, Office of
21 Investigations. The staff has no questions.

22 CHAIRMAN OKUN: Do respondents have
23 questions for this panel?

24 MS. ELLSWORTH: The Mexican producers do
25 not.

1 CHAIRMAN OKUN: Is there a representative
2 from the Brazilian producers?

3 Mr. Stokes, you can just shake your head if
4 you want me to just -- okay.

5 Mr. Stokes is shaking his head in the
6 negative.

7 I want to again thank all the witnesses for
8 their testimony today. It's been a long morning, but
9 it's been very helpful to hear all your answers.

10 With that, it's a good time to break for
11 lunch, with a reminder that the room is not secure,
12 therefore, take any confidential business information
13 with you and we will resume at 2:00.

14 (Whereupon, a recess was taken from
15 12:36 p.m. until 2:00 p.m.)

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1 MR. BARLAGE: Good afternoon. My name is
2 Peter Barlage. I'm a product manager at Arcelor
3 America International in New York. At Arcelor,
4 I focus on the U.S. market for several steel products.
5 One of those products is P.C. strand. I am here today
6 to share with the commission some of my impressions of
7 the U.S. market for P.C. strand.

8 Although P.C. strand is a fairly basic steel
9 product, the market for P.C. strand is complex and it
10 is defined by several distinct features. As a regular
11 buyer and seller of P.C. strand, I deal with these
12 features on a daily basis. I have to imagine it will
13 be equally helpful to you as the investigating
14 agency --

15 CHAIRMAN OKUN: Mr. Barlage, I apologize.
16 Will you just move his mike down a little
17 bit?

18 It's a little bit hard to hear you up here.

19 MR. BARLAGE: I'm sorry.

20 I have to imagine it will be equally helpful
21 to you as the investigating agency to gain a similar
22 understanding of the competitive dynamics of the P.C.
23 strand market.

24 Based on the discussion this morning, I have
25 the sense that it was well understood that the most

1 significant feature of the P.C. strand market is the
2 pronounced division between the pre-tension and
3 post-tension segments of the market. What is critical
4 is not the extent of this division, but the distinct
5 competitive dynamics of each segment.

6 As an example, there is no or very little
7 overlap in customers to the different segment of the
8 market. Pre-tension customers focus on projects that
9 specifically require pre-tension concrete like bridges
10 and larger commercial buildings. Pre-tensions have
11 higher capital costs, they need special equipment,
12 expensive equipment to pre-tension concrete.
13 Pre-tensioned concrete is always prepared before it is
14 delivered to the construction site.

15 Post-tensioners, on the other hand, must
16 tension the concrete at the job site and tend to focus
17 on the use of P.C. strand on slab on ground
18 applications.

19 Post-tension engineering is far less
20 sophisticated than pre-tension engineering and
21 requires less equipment and less technical expertise.
22 As a result, there is more customer turnover on the
23 post-tension market due to the low capital cost and
24 technical knowledge needed to enter this market.

25 Another distinction relates to the type

1 proficiency P.C. strand sold to the different market
2 segments. Due to the unique performance demands of
3 the P.C. strand used in pre-tension concrete, P.C.
4 strand sold to the pre-tension concrete segment
5 usually requires higher tensile strength, often a
6 minimum breaking strain of 45,000 pounds and a larger
7 diameter, usually an inch and a half oversized.

8 P.C. strand destined for the pre-tension
9 segment also requires no covering transformation prior
10 to use.

11 P.C. strand designed for the post-tension
12 market, on the other hand, tends to have lower tensile
13 strength, a smaller diameter and performance
14 requirements of the strands post-tension are less
15 demanding.

16 Also, customers in the post-tension market
17 cover, cut to length and add anchors to the P.C.
18 strand before the strand is either used by themselves
19 or by other customers in the post-tension market.

20 As a seller of P.C. strand, I'm not in the
21 position where I'm selling to one customer and the
22 other customer is using P.C. strand for both
23 pre-tension or post-tensioning applications. One does
24 not have to go much further than a customer's name to
25 know which market they participate in. Customers tend

1 to have names like Suncoast Post-Tension, Houston
2 Post-Tension, et cetera.

3 What this means is that there is no direct
4 or even indirect competition between P.C. strand
5 destined for the pre-tension market and P.C. strand
6 destined for the post-tension market. That is, you do
7 not have the situation based on my experience where a
8 P.C. strand customer goes out to the market to
9 purchase P.C. strand and the purchaser and the seller
10 are unaware of whether the P.C. strand will be used
11 for pre-tension or post-tension.

12 It is important to understand that the use
13 of pre-tension engineering as opposed to post-tension
14 engineering is based on a decision that takes place at
15 the design stage well before the user goes to the
16 marketplace to purchase P.C. strand. Therefore, there
17 is no competition between P.C. strand destined for the
18 post-tensioning market and P.C. strand destined for
19 the pre-tensioning market.

20 I doubt the petitioners can identify many or
21 any construction projects where the relative prices of
22 P.C. strand in the two markets, much less the decision
23 between imported or U.S. P.C. strand, governs the
24 ultimate decision of what type of construction method
25 to be used in tensioning the concrete.

1 The U.S. suppliers are uniquely positioned
2 to sell the pre-tension market. Pre-tensioning
3 customers tend to request relatively small shipments
4 of P.C. strand with short lead times. Often
5 pre-tension customers are forced to estimate their
6 material costs well before the project begins. As a
7 result, they will ask a supplier to establish a price
8 of P.C. strand for the entire project, often a year or
9 more, and demand still just-in-time delivery for P.C.
10 strand at that price.

11 Importers are reluctant to lock into a price
12 for the lifetime of a project and hold inventory here
13 in the U.S., often a unique size used by
14 pre-tensioning customers and servicing the customers
15 on a just-in-time basis.

16 Perhaps the most important feature is the
17 market concentration of the U.S.-produced P.C. strand
18 and importer P.C. strand in each market segment. The
19 pre-tension market is dominated and almost exclusively
20 serviced by the United States manufacturers. I
21 understand that the data collected by the commission
22 demonstrates that the U.S. suppliers provided
23 96 percent of the P.C. strand in the pre-tension
24 market while total imports supplied roughly 4 percent.
25 The market share of the countries subject to this

1 investigation is bound to be even smaller as the
2 4 percent includes import of P.C. strand from
3 non-subject countries.

4 In terms of pricing, the two market segments
5 react to their own supply and demand conditions.
6 Pricing in the pre-tension market has always been
7 higher than pricing in the post-tension market. This
8 reflects smaller pre-sale quantities with shorter lead
9 times, technical follow-ups required, the need for
10 suppliers to maintain inventories and to support
11 just-in-time deliveries and the fact that often these
12 sales are restricted to Buy American.

13 The pricing and the demand in the two market
14 segments responds to specific business trends and
15 affects the market, since the pre-tension market often
16 services government projects and any downturn in the
17 market due to declines in government spending will
18 have exclusive and direct impact on the market. Given
19 the focus of the U.S. producers on the pre-tension
20 market, the pre-tension market probably serves as a
21 perfect model for the commission to study what happens
22 to pricing in an arena where imports are absent.

23 Unlike the pre-tension market, the United
24 States producers historically have not concentrated
25 their sales in the post-tensioning market. The

1 post-tensioning market has been serviced and in many
2 ways developed by importers and their post-tensioning
3 customers. Post-tensioning customers are aware that
4 the United States producers concentrate on the
5 pre-tensioning market. Given this distinct
6 concentration in the pre-tensioning market, you have a
7 number of post-tensioning customers reluctant to
8 become too dependent on U.S. suppliers.

9 U.S. producers are better situated to
10 manufacture for inventory and respond to a day-to-day
11 customer demand for the pre-tension market. This
12 ability to sell from inventory actually also affects
13 the type of customers in the post-tensioning segment
14 that purchase from the U.S. suppliers. While
15 importers tend to service the larger post-tensioning
16 customers, the U.S. suppliers attend to the needs of
17 the smaller post-tensioning customers.

18 The smaller post-tensioning customers simply
19 cannot live with large shipment sizes and longer lead
20 times associated with import purchases.

21 Combined subject and non-subject import
22 volumes remained about the same before and after the
23 petition so it's clear that this upward trend in
24 pricing since mid 2002 is not related to the decline
25 in imports. Overall demand in post-tension segments

1 continue to grow into 2003, leading to a healthy
2 recovery in the market.

3 I hope this helps you to understand a bit of
4 the P.C. strand market. I thank you for your time and
5 I would be happy to answer any questions.

6 MR. LEWIS: Good afternoon. For the record,
7 my name is Craig Lewis. I'm with the law firm Hogan &
8 Hartson. I'm here today on behalf of the Brazilian
9 Respondent, Belgo Bekaert. I would note that there is
10 a handout that accompanies my testimony, which
11 I assume has been distributed to the commissioners.

12 As the commission is aware, the threshold
13 consideration in this case is market segmentation.
14 Respondents have argued since the preliminary
15 investigation that the U.S. P.C. strand market is
16 strictly segmented into a pre-tensioned and a
17 post-tensioned market and the subject imports have
18 effectively no presence in the pre-tensioned market.

19 Petitioners remarkably continue to claim to
20 the commission that no such distinction exists.

21 The commission staff is to be commended for
22 their successful efforts to compile a record for the
23 final investigation that allows the commission to get
24 to the bottom of this question. That record now
25 leaves no room for doubt that the P.C. strand market

1 is divided into two distinct segments.

2 Market segmentation is not a construct
3 created for purposes of this litigation. It is a very
4 real and objective characteristic of the U.S. market
5 for P.C. strand, as you have just heard from
6 Mr. Barlage.

7 The quantitative data collected by the
8 commission staff for the final phase of the
9 investigation confirms this distinction. First, the
10 data shows that subject imports have virtually no
11 presence at all in the pre-tension market. I would
12 refer you to Exhibit 1. According to Public Table 4-6
13 to the pre-hearing staff report, between 2000 and
14 2002, U.S. producers held between 95.8 and
15 96.3 percent of the pre-tension market. This fact by
16 itself should tell the commission that the market
17 segmentation we've identified is real and reflects
18 distinct competitive dynamics in the market.

19 Were there just one undifferentiated market,
20 as petitioners continue to claim, why are import
21 volumes virtually non-existent in the pre-tension
22 market?

23 As Mr. Barlage just mentioned, the absence
24 of subject imports from the pre-tension segment of the
25 market is itself largely the result of specific

1 structural barriers to entry. Most notably, the
2 pre-tension market consists of a large number of
3 smaller customers that require relatively small
4 deliveries on short notice. Subject imports are not
5 in a position to adequately serve this market, due,
6 among other things, to their longer lead times and the
7 need to ship larger quantities. Thus, the existing
8 market segmentation is a structural phenomenon that
9 will not change in the foreseeable future.

10 Petitioners are now arguing that the
11 commission is somehow legally precluded from
12 considering these market distinctions. Petitioners
13 state the commission must overlook market segments
14 unless there are physical differences in the products
15 or the products are subject to different end uses.

16 In point of fact, however, there are
17 significant differences in physical characteristics,
18 as Mr. Barlage just testified to, including whether
19 the product is covered or uncovered and the required
20 thickness and tensile strength for the more demanding
21 applications in the pre-tension segment. And there
22 are also differences in end use, obviously.

23 It's these very differences that give rise
24 to the distinctions in customer base and trade
25 associations. Accordingly, even if establishing

1 differences in physical characteristics in end uses
2 were necessary criteria for the commission to
3 recognize these market segments in analyzing this
4 industry, the criteria are clearly satisfied in this
5 case.

6 In any event, the commission must take each
7 case as it is presented and the relevant question for
8 the commission is ultimately factual and economic, not
9 legal. The relevant question in this case is is it
10 economically meaningful or rational to ignore the fact
11 that the customer bases are entirely different, that
12 pricing levels are different, and that subject imports
13 have had little or no participation in market segments
14 where the vast majority of U.S. product is sold?

15 The answer is obviously no and the
16 commission should consider market segmentation in
17 evaluating the industry.

18 Turning now to the injury data, allow me to
19 summarize the key conditions of competition. First,
20 as Peter discussed, U.S. producer shipments are
21 concentrated overwhelmingly to the tune of 75 to
22 80 percent in the pre-tension market and I would refer
23 you to Exhibit 2. At the same time, subject imports
24 are almost exclusively destined for the post-tension
25 market. Thus, the area of potential competitive

1 overlap is very small in this case, representing at
2 most 20 to 25 percent of U.S. shipments over the
3 period of investigation. However, even this overlap
4 is overstated because of the existence of significant
5 Buy America programs in the post-tension market.

6 As noted in Exhibit 2, a significant portion
7 of U.S. shipments to the post-tension market is also
8 destined for Buy America projects. This further
9 diminishes the scope of even potential competitive
10 overlap.

11 Finally, as U.S. producers conceded in the
12 preliminary conference and again today, they have
13 essentially withdrawn from the production of covered
14 P.C. strand primarily so as not to compete with their
15 downstream customers who provide the covering service.

16 Thus, the commission must ultimately decide
17 whether limited competition with imports in a small
18 portion of the market had a significant impact on a
19 U.S. industry predominantly focused on a different
20 market segment.

21 In this context, let us now turn to the
22 traditional injury data related to the sliver of the
23 market with import participation.

24 First, volume data. The data collected by
25 the commission to date shows that U.S. producer

1 shipments declined in the post-tension market segment
2 while imports maintained and even gained market share.
3 However, the question is not whether such declines
4 occurred, but whether they were significant and had a
5 significant impact on the condition of the domestic
6 industry.

7 In point of fact, declines in U.S. shipment
8 volumes in the unrestricted post-tension market were
9 quite small relative to total domestic consumption in
10 this period and I would refer you to Exhibit 3. That
11 this very small volume had no significant impact on
12 the overall operations of the U.S. producers is
13 intuitive and is confirmed by the commission's
14 variance analysis.

15 Turning to price, the essential fact
16 revealed by the pricing data is that subject imports
17 actually oversold domestic producer prices in the
18 overwhelming number of comparisons throughout the
19 period of investigation. The relevant comparison is,
20 of course, product 1 to the post-tension market
21 segment, which accounts for most of the subject
22 imports.

23 To the extent that the commission determines
24 to conduct a cumulative analysis of injury, the
25 pricing comparison should likewise be made by

1 comparing cumulated import prices to the cumulated
2 U.S. shipment prices. Exhibit 4 compares the weighted
3 average quarterly prices of U.S. shipments with the
4 weighted average quarterly prices of subject import
5 shipments.

6 We have removed the actual values from the Y
7 axis for the purposes of this hearing. This same
8 chart is provided in Exhibit 3 to our pre-hearing
9 brief.

10 The pricing data collected by the commission
11 shows that subject imports did not undersell the U.S.
12 producers. It's fair to say that this pricing data is
13 devastating to petitioners' price arguments.

14 These results are also confirmed if
15 comparisons are made on a country-by-country basis as
16 set forth in Section 5 of the staff report. In that
17 case, the importers' data show that subject imports
18 oversold the domestic product in 43 instances as
19 compared to only 27 instances of underselling.

20 It bears mentioning that this pricing data
21 actually understates the actual level of overselling
22 by subject imports relative to U.S. shipments because
23 the data does not properly segregate U.S. producer
24 prices to the Buy America segment of the market where
25 petitioners in questionnaire responses have conceded

1 that prices are higher.

2 The commission has collected data that now
3 shows that pricing for sales to the Buy America
4 post-tension segment commands a price approximately
5 \$30 per thousand pounds higher than sales to the
6 unrestricted market.

7 Finally, an analysis of pricing trends, and
8 I would refer you to the last exhibit, reinforces the
9 conclusion suggested by the pricing comparisons,
10 namely, that it was U.S. producers rather than subject
11 imports that tended to lead prices down during the
12 period of investigation in the post-tension market.

13 Petitioners, of course, do not like these
14 results and have predictably questioned the integrity
15 of the pricing data provided to the commission by
16 certain importers. We invite the commission's
17 scrutiny of this data, as it will only strengthen the
18 conclusion that subject imports had no adverse price
19 effects. We cannot resist noting, however, that these
20 results are exactly as the respondents have predicted
21 in the preliminary phase of this investigation. Once
22 the data was properly untangled and separated by
23 market segment to provide a meaningful and unbiased
24 comparison, the pricing claims made in the petition
25 fell apart.

1 We are now at the point where we have shown
2 that the volume changes were not significant as
3 confirmed by the commission's variance analysis and
4 the subject imports did not undersell domestic
5 producers or suppress prices. The only reasonable
6 conclusion is that subject imports could not have and
7 did not cause material injury to the U.S. industry.

8 As support for this conclusion, we undertook
9 to isolate the potential impact of the subject imports
10 on the financial condition of the domestic industry by
11 examining declines in profitability on a
12 segment-specific basis. This analysis was of
13 necessity merely an exercise in estimation because the
14 commission did not collect segment-specific data on
15 financial results, but we believe it sheds further
16 light on the disconnect that exists in the data
17 between the subject imports that were sold virtually
18 exclusively in the post-tension market and the
19 condition of the domestic industry whose during the
20 period of investigation, as in the past, lies
21 predominantly in the protected pre-tension market.

22 On pages 32 to 40 of our pre-hearing brief
23 we laid out this analysis which broke out U.S.
24 producers' profitability data into five subsets, only
25 one of which, the post-tension unrestricted market for

1 uncovered P.C. strand, represents a segment in which
2 the subject imports actually compete to any
3 discernable degree.

4 This segment profitability analysis is
5 confidential, but it's possible to say here that it
6 indicates that whatever impact subject imports might
7 have had on the domestic industry's overall
8 profitability in this period was small and not
9 significant when compared to the overall operations of
10 the U.S. producers. In fact, this is intuitively
11 correct, as they are stressing once again that most --
12 most, upwards of 80 percent -- of U.S. producer
13 shipments are to the pre-tension market in which
14 subject imports do not compete to any significant
15 degree. The post-tension market is subject to
16 significant Buy America restrictions and the U.S.
17 industry has abandoned the manufacture of covered P.C.
18 strand.

19 Accordingly, the area of potential
20 competitive overlap in the market is limited, with a
21 relatively small unrestricted market for post-tension
22 uncovered P.C. strand. The impact of temporary shifts
23 in market share in this small segment not surprisingly
24 had little impact on the overall operations of the
25 U.S. industry during this period.

1 Finally, a word needs to be mentioned about
2 the improved trade and financial results for the U.S.
3 industry toward the end of the period of
4 investigation. Petitioners attribute this improvement
5 in performance to the filing of the antidumping
6 petition. However, we invite the commission to
7 carefully examine this claim in comparison to the
8 underlying data, both in respect to prices and
9 industry performance and as it's contained in the
10 staff report. That data, we submit, clearly shows
11 that the trend toward improvement of the condition of
12 the U.S. producers started well before this petition
13 was filed.

14 I return, however, to where I started. The
15 commission cannot evaluate this industry properly if
16 the data is inappropriately mixed together without
17 regard for the clearly defined and well documented
18 existence of pre-tension and post-tension market
19 segments. Petitioners successfully obscured this
20 fundamental feature of the market at the preliminary
21 phase. To its credit, the commission staff did not
22 allow the record to be manipulated in this fashion to
23 the final investigation.

24 Now that the data has finally become
25 untangled, the picture that has emerged is vivid and

1 unmistakable. There's little overlap of competition
2 between subject imports and the U.S. industry and
3 where such competition has occurred, subject imports
4 have generally oversold domestic producers. There is
5 no injury caused by subject imports and this
6 commission should accordingly reach negative
7 determinations with respect to all imports.

8 Thank you very much.

9 CHAIRMAN OKUN: Thank you.

10 We will now turn to the Mexican respondents.

11 Ms. Ellsworth?

12 MS. ELLSWORTH: Thank you. My name is
13 Cheryl Ellsworth and I'm a partner with the law firm
14 of Harris Ellsworth & Levin. Our firm represents
15 Aceros Camesa, S.A. de C.V, Cablesa, S.A. de C.V,
16 Camesa, Inc. and Universal Products Group. Aceros
17 Camesa and Cablesa are Mexican manufacturers and
18 exporters of P.C. strand. Camesa, Inc. and Universal
19 import P.C. strand manufactured by Camesa and Cablesa
20 respectively into the United States.

21 We are pleased to have with us today Tom
22 Utz, President of Camesa, Inc., and also appearing
23 today from Harris Ellsworth & Levin are Herbert E.
24 Harris II, Jeff Levin and John Totaro.

25 At this time, I will ask Mr. Utz to begin

1 his testimony.

2 MR. UTZ: Good afternoon. My name is Thomas
3 Utz and I'm the President of Camesa, Inc. My company
4 is the principal U.S. importer of P.C. strand
5 manufactured by Aceros Camesa in Mexico City. Aceros
6 Camesa is a long established participant in the U.S.
7 P.C. strand market and has been exporting the product
8 to the United States for nearly a decade. Likewise,
9 Camesa, Inc. is a long established U.S. importer and
10 has been importing the product from Aceros Camesa into
11 the United States for nearly a decade also.

12 We import both covered and uncovered strand
13 from Mexico. For both products, all of our sales in
14 the U.S. are to post-tensioning customers in Texas.
15 We sell nothing to the pre-tension market. We sell
16 nothing outside of Texas. And, of course, none of our
17 sales of P.C. strand from Mexico are subject to Buy
18 America restrictions.

19 I have with me today samples of two P.C.
20 strand products that we've been talking about all day
21 here. The first is a length of uncovered strand and
22 the second one is a covered strand.

23 MS. ELLSWORTH: Madam Chairman, if we could,
24 I'd like to introduce these two samples as exhibits.

25 CHAIRMAN OKUN: That would be fine and the

1 secretary can bring them up for us to review.

2 MR. UTZ: Uncovered strand is generally used
3 for pre-tensioning applications. It is embedded in a
4 concrete product such as a beam or column that is
5 constructed at the pre-tensioner's plant and brought
6 to the construction site. By design, the P.C. strand
7 used in pre-tensioning applications will only function
8 if it is in contact with the surrounding concrete.
9 That is why strand used in the pre-tension market must
10 remain uncovered.

11 With the covered strand product, bare steel
12 is coated with grease and then with a plastic
13 covering, typically polyethylene. The plastic
14 covering as well as the grease must be manufactured
15 and applied to the bare strand in accordance with
16 detailed specifications set forth by the
17 Post-Tensioning Institute.

18 As far as I know, covered P.C. strand is not
19 imported in significant quantities from the other
20 countries that are subject to this investigation.

21 As I said, we import both uncovered and
22 covered strand. The second Mexican producer, Cablesa,
23 imports only covered strand into the United States.
24 To the best of my knowledge, all of the imports from
25 these two manufacturers are sold to post-tensioning

1 customers. Sometimes in the case of the uncovered
2 P.C. strand imported by my company, the
3 post-tensioning customer is also a converter, which
4 covers the P.C. strand with the plastic and then
5 manufactures it into tendons at their plant.

6 Tendons are project specific lengths of
7 covered P.C. strand along with the anchor components.
8 Tendons are put in place at the final construction
9 site where concrete is subsequently poured around the
10 tendons. After the concrete reaches a specific
11 compressive strength, the tendons are post-tensioned
12 and anchored with special hardware.

13 By design, the plastic covering prevents the
14 tendon from bonding to the concrete so that the P.C.
15 strand can move within the hardened concrete to allow
16 compressive forces to be applied.

17 You can see from the sample that we
18 submitted that the bare P.C. strand moves freely
19 within the covering and you can also see the grease.
20 This is a two-step application that is quite a bit of
21 value added to the product.

22 A principal post-tension application for
23 covered P.C. strand is slabs that support residential
24 homes known as slabs on grade. This application has
25 grown over the past few years as interest and mortgage

1 rates remain low. Other post-tension applications for
2 covered strand are building foundations, parking
3 garages and stadiums. In other words, the manufacture
4 of a covered P.C. strand product requires the
5 manufacture of the bare P.C. strand plus the
6 lubricating and covering process. Two P.C. strand
7 manufactures in Mexico, Aceros Camesa and Cablesa,
8 perform both of these manufacturing operations. They
9 have created market opportunities by selling covered
10 P.C. strand to customers that do not have sufficient
11 conversion capability in the location where the
12 product is needed or that have insufficient capacity
13 to meet their requirements in the expanding
14 post-tension market.

15 By selling covered P.C. strand and
16 alleviating the customer's need for immediate, on-site
17 conversion capability, Mexican producers serve a
18 valuable market need that is not otherwise satisfied.

19 Their geographical proximity to the U.S.
20 border, particularly the Texas market, provides us
21 with the ability to meet post-tensioning customer
22 requirements promptly and efficiently.

23 Covered P.C. strand is a value added
24 product. The company that performs the covering
25 operation must make capital investments in plant and

1 equipment. In my experience, a new extruding line for
2 half-inch diameter P.C. can cost up to \$1 million,
3 while even a used line would cost about \$300,000. The
4 company must also purchase additional materials and
5 train employees in order to achieve a consistent, high
6 quality product. And also the plant must be certified
7 by the PTI Institute before they can ship to the end
8 user.

9 Given these facts, it is understandable that
10 covered P.C. strand sells for a higher price than
11 uncovered P.C. strand sold in the pre or post-tension
12 market. No U.S. manufacturer of P.C. strand performs
13 both the manufacturing processes necessary to produce
14 covered P.C. strand. That explains why, at least in
15 my view, the domestic P.C. strand producers have not
16 focused their sales efforts on the post-tensioning
17 market.

18 If a U.S. P.C. strand manufacturer wanted to
19 sell his product to the post-tensioning market, he
20 must first deliver his product to a second set of
21 manufacturers, the converters. The converters are not
22 part of the industry that brought this action. They
23 have not participated in this investigation and are
24 not here today in support of the U.S. P.C. strand
25 manufacturers. Apparently, they do not believe they

1 have been injured.

2 I cannot understand how the companies that
3 brought this action can point to imports of covered
4 strand as a cause of material injury. It's a product
5 they don't even make.

6 This critical distinction between the
7 covered and uncovered P.C. strand products is a
8 compelling limitation on any direct competition
9 between imported P.C. strand and the uncovered product
10 manufactured by the petitioning company.

11 The second closely related factor, the
12 division between the pre-tensioned and post-tensioned
13 markets in the United States, is another compelling
14 limitation on direct competition. Pre-tensioning is
15 the larger of the two markets for P.C. strand and that
16 market is most affected by formal or informal Buy
17 America requirements. These requirements insulate
18 domestic producers from import competition.

19 Many federal and state construction projects
20 impose Buy America requirements on contractors and
21 their subcontractors. In addition, the reach of these
22 restrictions often extend beyond the requirements of a
23 specific contractor. For example, the pre-tensioner
24 that bids on government contracts may purchase only
25 domestic P.C. strand to avoid the possibility of

1 commingling inventories. Also, private projects, such
2 as the new sports stadium in Houston, go Texans, may
3 impose restrictive Buy America provisions. I cannot
4 understand how the companies that brought this action
5 can claim injury by imports when imports are precluded
6 from bidding on a major proportion of their sales.

7 While Buy America restrictions also preclude
8 participation by imports in some sales in the
9 post-tension market, their prevalence in the
10 pre-tension market may help explain why the
11 petitioners have historically focused their sales
12 efforts in that market. Imports from Mexico simply do
13 not compete with U.S. strand manufacturers in the
14 pre-tension market. I believe that to be true with
15 regard to the overwhelming majorities of imports
16 subject to this proceeding.

17 From our perspective, the pre-tension market
18 is effectively reserved for U.S. producers due to the
19 prevalence of Buy America restrictions. For the bulk
20 of the combined U.S. markets for P.C. strand, there is
21 no import competition because imports do not
22 participate in the pre-tension market because the
23 imports are precluded from sales subject to Buy
24 America restrictions and because U.S. manufacturers do
25 not produce covered strand. The remaining pool of

1 sales is insufficient to have a material impact on the
2 condition of the U.S. manufacturers prompting this
3 action.

4 Add to that the fact that for all intents
5 and purposes there is no competition between P.C.
6 strand from Mexico and domestically manufactured
7 strand in 49 of the 50 states. Even in that very slim
8 portion of the overall market in which there is at
9 least theoretical competition between imports from
10 Mexico and domestically produced P.C. strand, that is,
11 sales of uncovered P.C. strand to the post-tension
12 market, it is my belief that the Camesa product does
13 not compete with the U.S. product on a price basis.
14 In large part, this is due to our geographical
15 proximity to the large Texas market.

16 In addition, as compared to other import
17 sources, our proximity to our foreign supplier allows
18 us to import product by the truckload, not by the
19 shipload. This also allows us to provide our
20 customers with a significant degree of flexibility in
21 their orders and permits our customers to exercise a
22 significant degree of inventory control.

23 Our long-term customers are willing to pay a
24 premium for this flexibility and for our quality, our
25 service and our availability. Our customers have

1 confidence in our relationships and our products.

2 This is not unfair trade and surely this is
3 not injurious unfair trade. We cannot compete against
4 U.S. producers in that substantial segment of the U.S.
5 market protected by the Buy America requirements. We
6 do not compete against U.S. producers outside of the
7 Texas market. There is no competition between our
8 covered strand product and the domestic industry. The
9 volume of our P.C. strand imports from Mexico and,
10 indeed, the total volume of all P.C. strand imports
11 from Mexico is dwarfed by the capacity of the domestic
12 industry. Our product does not undersell the U.S.
13 product in that very limited market in which direct
14 competition is allowed to exist.

15 For these reasons, I cannot believe that
16 imports of P.C. strand from Mexico are a cause of
17 material injury to the domestic industry or threaten
18 the industry with material injury.

19 Thank you.

20 MS. ELLSWORTH: Thank you.

21 The record before the commission in these
22 final investigations supports the conclusion that
23 there are two domestic like products: covered P.C.
24 strand and uncovered P.C. strand. All P.C. strand is
25 not physically identical, as the petitioners have

1 asserted. The physical differences between these two
2 products is obvious, as is evident from the samples
3 Mr. Utz provided.

4 In addition, uncovered P.C. strand sold in
5 the United States is manufactured to ASTM standards.
6 The bare strand used to make covered P.C. strand meets
7 these specifications as well but it is subjected to an
8 additional production stage which is governed by a
9 separate set of specifications issued by the
10 Post-Tensioning Institute.

11 These physical differences direct the use to
12 which each product may be applied and consequently the
13 market in which it is sold. Concrete bonds to the
14 surface of uncovered P.C. strand and therefore
15 uncovered P.C. strand is sold to the pre-tension
16 market to manufacture prestressed concrete members.
17 Historically, the pre-tensioning market has been
18 dominated by domestic producers. From 2000 to 2002,
19 domestic producers shipped 75 to 80 percent of their
20 P.C. strand to the pre-tensioning market and the
21 pre-tensioning market accounted for 60 or more percent
22 of the overall U.S. markets for P.C. strand.

23 In contrast, concrete bonds to the outer
24 plastic of covered P.C. strand and the layer of grease
25 under this covering allows tension to be applied to

1 the contained P.C. strand after the concrete has
2 cured. This unique property makes covered P.C. strand
3 suitable only for post-tensioned applications for the
4 same reasons uncovered P.C. strand cannot typically be
5 used for most post-tensioned applications, rather the
6 uncovered P.C. strand is grease coated and plastic
7 covered prior to use. Hence, a post-tensioning
8 customer that purchases uncovered P.C. strand is
9 buying a less advanced, intermediate product that must
10 undergo further manufacturing prior to use.

11 A post-tensioning customer that purchases
12 covered P.C. strand is purchasing a more advanced,
13 finished product. While some customers may purchase
14 both covered and uncovered P.C. strand, they have
15 different expectations as to whether they will need to
16 perform additional functions prior to use.

17 I note, however, that uncovered P.C. strand
18 is not dedicated to the production of covered P.C.
19 strand. As discussed, 75 to 80 percent of the U.S.
20 producers' shipments of uncovered P.C. strand are to
21 the pre-tension market, which cannot accept P.C.
22 strand.

23 As we discussed in our brief, among the
24 pre-tensioned and post-tensioned markets there are
25 different patterns of consumption, different price

1 patterns and different conditions of competition
2 between the domestic product and imported P.C. strand.
3 The defining characteristic of the pre-tension market
4 is the near absence of imported P.C. strand. On the
5 other hand, the post-tension market is unique in that
6 virtually all of the P.C. strand that is consumed is
7 covered P.C. strand, a product that is not
8 manufactured by the petitioners.

9 No domestic producers of uncovered P.C.
10 strand produce covered P.C. strand. In contrast, U.S.
11 imports from Mexico are mostly covered P.C. strand and
12 the official import statistics indicate that in 2001,
13 2003 and interim 2003, these imports represented
14 between 99 and 100 percent of imports of covered P.C.
15 strand from the subject countries.

16 In addition, the pre-hearing report
17 demonstrates that the price differential between
18 covered P.C. strand and uncovered P.C. strand is
19 significant.

20 The commission must not, as the petitioners
21 suggest, base its analysis solely on aggregated data
22 for all P.C. strand. Doing so masks the degree to
23 which the domestic producers operate in a market
24 protected from import competition and obscures the
25 fact that imports, particularly imports from Mexico,

1 are not causing material injury to the domestic
2 industry producing covered P.C. strand and uncovered
3 P.C. strand.

4 The commissions should find that the
5 domestic industry producing covered P.C. strand
6 consists exclusively of U.S. firms that coat bare P.C.
7 strand with grease and cover it. While uncovered P.C.
8 strand is a necessary upstream product for covered
9 P.C. strand, the process of further manufacturing
10 uncovered P.C. strand into covered P.C. strand
11 requires a capital investment of at least several
12 hundred thousand dollars and adds substantial value to
13 the uncovered strand.

14 This being the case, in order to understand
15 the impact of imports of covered P.C. strand on that
16 domestic industry that produces covered P.C. strand,
17 the commission must consider the position of domestic
18 converters and post-tensioners. These producers did
19 not petition for relief under the antidumping duty law
20 and only three post-tensioners, representing a
21 fraction of domestic production of covered P.C.
22 strand, responded to the commission's questionnaires.
23 These facts, as well as the other proprietary
24 information contained in their responses, support a
25 finding that the industry producing covered P.C.

1 strand is neither injured nor threatened with material
2 injury by reason of imports.

3 John?

4 MR. TOTARO: Good afternoon. The record
5 before the commission demonstrates that the conditions
6 for cumulating imports of P.C. strand from Mexico with
7 other subject imports have not been satisfied.
8 Accordingly, the commission should not cumulate these
9 imports for purposes of its final determinations. At
10 a minimum, and consistent with the finding that there
11 are two like products, the commission must decline to
12 cumulate imports of covered P.C. strand from Mexico
13 with imports from other subject countries.

14 There is only limited competition between
15 P.C. strand from Mexico on the one hand and
16 domestically manufactured P.C. strand and other
17 subject imports on the other. The commission must
18 consider the volume of covered P.C. strand imported
19 from Mexico, a product that is not manufactured by the
20 petitioners, as well as the relative volume of this
21 product imported from other subject countries.

22 The commission must then consider the fact
23 that imports of covered P.C. strand from Mexico are
24 not fungible with uncovered strands manufactured by
25 the domestic industry or by producers in other subject

1 countries.

2 Covered P.C. strand can be used only for
3 post-tensioning, while uncovered P.C. strand is used
4 for pre-tensioning or for post-tensioning after
5 further manufacturing into covered P.C. strand.

6 The commission must also consider the
7 limited geographic market in which there is overlap in
8 competition between imports from Mexico and domestic
9 P.C. strand, the channels of distribution for the
10 Mexican product and the fact that imports from Mexico
11 do not compete with the domestic product at all in the
12 larger pre-tension market.

13 The facts in the record also demonstrate
14 that there is no reasonable overlap of competition
15 among imports from the other subject countries and
16 imports from Mexico. Moreover, even if there is a
17 reasonable overlap of competition between covered P.C.
18 strand from Mexico and domestically produced covered
19 P.C. strand, the petitioners do not produce this value
20 added product. For this reason alone, imports of
21 covered P.C. strand from Mexico must not be cumulated.

22 With respect to material injury, much of the
23 relevant data is proprietary. However, the following
24 general themes are evident and support the conclusion
25 that the domestic P.C. strand industry is not

1 experiencing material injury due to imports from the
2 subject countries.

3 The domestic industry sold 80 percent of its
4 P.C. strand to the larger pre-tension market in 2002
5 and its share of apparent consumption remained over
6 95 percent between 2000 and 2002. On the other hand,
7 in 2002 and the first half of 2003, no sales of
8 Mexican uncovered P.C. strand were to the pre-tension
9 market.

10 Buy America restrictions, both formal and
11 informal, severely limit competition between domestic
12 and imported uncovered P.C. strand in both the pre and
13 post-tension markets and contributed the limited
14 presence of imports in the pre-tension market.

15 In our pre-hearing brief, we highlighted the
16 stringent Buy America restrictions maintained by
17 Texas, the market into which P.C. strand from Mexico
18 is imported.

19 Construction data indicate that the value of
20 new residential construction grew over the course of
21 the POI and there are indications that demand for
22 post-tension applications like slab on grade
23 residential foundations is increasing while demand for
24 pre-tensioning applications is decreasing.

25 The commission should consider these trends

1 and the relative volumes of covered and uncovered P.C.
2 strand imported from Mexico when it reviews the
3 pattern of domestic consumption in the pre and
4 post-tension markets.

5 The only market in which domestic and
6 imported P.C. strand compete to any measurable degree
7 is the post-tension market and within that market with
8 respect to uncovered P.C. strand. The commission's
9 pricing data for this subset of the post-tension
10 market support a finding that margins of underselling
11 by Mexican imports have not been significant and that
12 the prices of Mexican imports have neither depressed
13 U.S. prices nor prevented price increases that
14 otherwise would have occurred to any significant
15 degree. The filing of the petition did not cause or
16 affect these trends.

17 The pricing data for the pre-tension market
18 support the same conclusions, but are more or less
19 irrelevant due to the limited impact of imports in
20 that market. The U.S. pricing data for covered P.C.
21 strand reflect a statistically unacceptable of
22 post-tensioners. Nevertheless, the data on the record
23 established that this domestic industry as well is not
24 injured by reason of imports from Mexico of covered
25 P.C. strand.

1 When it reviews the aggregated financial
2 data of the U.S. P.C. strand producers, the commission
3 should consider the effect on these data of Sumiden
4 closing its Victorville plant in 2002 and Sebaco's
5 performance leading up to its exit from P.C. strand
6 production in 2003. These developments affected a
7 limited portion of the domestic industry and their
8 supposed connection to import competition is not well
9 founded. However, these two factors had
10 disproportionate and distorting effects on the
11 aggregated data for the industry.

12 As the commission conducts its threat
13 analysis and reviews changes in the volume and market
14 penetration of imports of P.C. strand from Mexico, it
15 should examine the data for covered P.C. strand and
16 uncovered P.C. strand separately.

17 We project from these data that any increase
18 in imports from Mexico in the near term will be of
19 covered P.C. strand to the post-tension market. The
20 domestic producers' participation in that market has
21 been limited and they do not produce the covered P.C.
22 strand that the Mexican producers sell to the
23 post-tension market. Therefore, it cannot be
24 concluded that increasing imports constitute a threat
25 to the U.S. industry.

1 Finally, in the pre-tension market, it is
2 unlikely that subject imports of P.C. strand will
3 increase from their historical marginal market share,
4 particularly after Congress approves the new federal
5 Surface Transportation Authorization Bill. This
6 legislation should reverse the reported decline in
7 publicly funded projects subject to Buy America
8 restrictions, which often include pre-tension
9 applications for P.C. strand. Consequently, we expect
10 a reversal of the decline in domestic producers'
11 shipments and apparent domestic consumption in the
12 pre-tension market.

13 Thank you.

14 MS. ELLSWORTH: That concludes our
15 presentation.

16 CHAIRMAN OKUN: Thank you. And, again,
17 thank you to all the witnesses for joining us here
18 this afternoon for your testimony and for all the
19 cooperation you've given the Commission and the staff.
20 We greatly appreciate it.

21 I'm going to begin the questioning this
22 afternoon. If I can remind all witnesses to just
23 repeat your name when you respond. That will be
24 helpful.

25 Let me start, Mr. Stokes, I guess maybe this

1 question best goes to you or Mr. Lewis, and that's
2 with regard to the Petitioners, in their brief and in
3 Exhibit 4 and, also, in their testimony today,
4 discussed their view of the channels of distribution.
5 You had made the argument, in your brief, that that
6 was one of the distinctions in the channels of
7 distribution of covered versus uncovered pc strand
8 being different. And the Petitioners raised a number
9 of issues to point out that there seems to have been
10 some confusion how we got responses; and, in fact, it
11 doesn't show this great distinction. I wonder if you
12 could comment on that here. Obviously, comment in
13 post-hearing, but I just wanted to get a general
14 comment on it.

15 MR. STOKES: I think our focus is mostly on
16 the distinction in distribution of pc strand through
17 the pretension applications and post-tension
18 applications. I think within the post-tension area,
19 the differences in distribution of covered strand
20 versus uncovered strand, I think I would defer more to
21 the Mexicans on that.

22 CHAIRMAN OKUN: But just so I understand and
23 this might go to Mr. Barlage's answer, which is what I
24 heard the testimony to be this morning, consistent
25 with their argument, is that there are really no

1 distributors in this. Everyone is an end user. And
2 if maybe I can get both your comments, Mr. Barlage,
3 and, also, Mr. Utz, if you could comment on that, as
4 well.

5 MR. BARLAGE: Yes, if I can add a little bit
6 insight on this. My definition of a distributors is
7 somebody, who would say, touch that product and sell
8 it again to another -- to an end user. So, example, a
9 pretension gets the pc strand and actually uses that
10 product. They build a -- an example, like this beam
11 here would be covered in concrete at their plant. The
12 pretension actually have all this manufacturing
13 equipment. They have concrete at their facilities,
14 how they build these I-beams.

15 Where, say, I would call a larger -- a post-
16 tension customer, who sells these cut cables, coated
17 cut cables to a contractor -- to the site of the
18 contractor. And, actually, the distributor is
19 providing a service. He's not really manufacturing
20 anything. He decides that he transform the wire and
21 coated it. He's actually providing a service. He's
22 tensioning that slab, that slab that was poured by
23 another contractor.

24 So, I think the mix is a little bit clearer.
25 Pretension people, to me, are end users. They get the

1 product; they use it. It's sealed. It's in the
2 product. It's sold as a beam, not as a table. Where
3 post-tension is actually selling a service. They're
4 selling the cables to the contractor. So, the
5 contractor is actually the final end user on a slab on
6 ground application. I don't know if that's clear.

7 CHAIRMAN OKUN: Yes. I think what your
8 answer does illustrate is that there was a difference
9 in how what we would think of as what a distributor is
10 --

11 MR. BARLAGE: Yes.

12 CHAIRMAN OKUN: -- and how it responds to --
13 as compared to what you're viewing as the end user in
14 this service. You have your --

15 MR. LEWIS: Yes. I didn't mean to butt in,
16 but I did want to mention, I think that you're getting
17 to the question of overlap of channels of
18 distribution. I don't think it's correct to ignore,
19 again, market segmentation and the differences in
20 customers. To say if we come to agreement that every
21 customer we're talking about is an end user, for
22 example, I would still submit to you that there are
23 fundamental differences between the types of end users
24 we're talking about. And pretension end users are not
25 the same as post-tension end users and there are some

1 significant differences in the channel in which the
2 product is distributed to those different end users.

3 0And that gets back to the point that we've
4 made in our direct presentation, that in the
5 pretension segment of the market, you need to maintain
6 inventory on your customer, to provide a quick
7 delivery to that customer and in smaller volumes;
8 whereas in the post-tension market, we're talking
9 larger volumes. In that sense, that may not be a
10 traditional way of looking at channel of distribution,
11 but I think that is a feature of the difference in
12 those channels of distribution.

13 CHAIRMAN OKUN: And I will have some follow-
14 up questions on those points; but, I guess what I'm
15 trying to get at here, which is our table -- in the
16 staff report, our table 1-2 and 1-3, found on pages I-
17 14 through I-17, trying to make sure that those are
18 corrected to reflect what we think we were gathering.
19 And I think based on that information, there does need
20 to be some clarification.

21 Ms. Ellsworth, I wondered if you could
22 comment on that, as well.

23 MS. ELLSWORTH: Yes. I would like to just
24 turn it over for a minute to Mr. Utz, because I know
25 he had some thoughts about that. And I think that you

1 would find that if you looked at Camesa, Inc.'s
2 questionnaire response, that they do sell to
3 distributors. And he may be able to enlighten you as
4 to what he's referring to as a distributor.

5 CHAIRMAN OKUN: Okay. Mr. Utz?

6 MR. UTZ: Thomas Utz. Certainly, imported
7 products are sold through distributors, trading
8 companies, actually, and, also, direct to end users.
9 Our company sold to a distributor in Texas and we,
10 also, sold to end users in Texas. The distributors
11 resold it to post-tension companies in Texas. So, I
12 know for a fact that there are distributors in
13 Florida, in California. So, the import product is
14 sold both ways, certainly from my knowledge, for sure
15 with Mexico.

16 CHAIRMAN OKUN: I don't know if this needs
17 to be done post-hearing, because I am trying now to
18 understand, in terms of Mr. Utz, who he is referring
19 to as distributors. Ms. Ellsworth, the Petitioners,
20 in Exhibit 4, had provided some tables of -- well,
21 maybe we'll come back to that. If you could look, for
22 purposes of post-hearing, on who Mr. Utz is describing
23 as the distributor and the arguments made by
24 Petitioners, to see if for the Mexican questionnaire,
25 whether any of these changes would need to be made, as

1 well, to help us better understand this market.

2 MS. ELLSWORTH: We'd be glad to do that.

3 CHAIRMAN OKUN: Okay. All right. Then, let
4 me go back, and Mr. Lewis, maybe what you were
5 starting down, but let me ask you this, which is even
6 if -- I'm still trying to untangle this market or put
7 it back together or whatever we want to say we're
8 looking to do right here, but I hear your argument
9 about this post-tension and pretension and I see the
10 data we collected. And I can see the pretension
11 purchasers being different than the post-tension
12 purchasers.

13 But, then, if you look at, and I guess this
14 goes to Exhibit 4, which the data is confidential, but
15 I think it can make the general point, which is, both
16 the petitioning company and the subject imports are
17 being sold to the same customers. Many people are
18 buying from both companies. So, it's not as if I
19 don't see the Petitioners just selling to one set of A
20 market and then subject imports going to completely
21 different people, who are not aware of what's
22 happening in this market. And so, that's what I want
23 you to comment on, because that's where at least part
24 of the argument this morning was, is that there is
25 competition.

1 MR. LEWIS: If I understand your question
2 correctly and at risk of going down the road of
3 slicing and dicing a little bit further, but I think
4 there's a reality behind this and, of course, as an
5 attorney working on this case, I'm learning about this
6 industry, as well, and I should say that I've learned
7 a lot just sitting at this hearing. But one of the
8 things I did ask that question, and I'd like Peter to
9 elaborate on this, as I understand it, this is grossly
10 overstated to say that in the post-tension market,
11 that imports and the domestic producers are actually
12 competing for the same customers. There's actually a
13 significant difference in the types of customers in
14 that specific segment of the market that they have
15 focused on. And what I understand is the case is that
16 the imports have traditionally sold to larger
17 customers -- it was testified to earlier, they're able
18 to buy the larger volumes and need larger volumes and
19 that the domestic producers have tended to sell, even
20 though in the post-tension market, to smaller
21 customers. But, I think you could explain this better
22 than I could.

23 MR. BARLAGE: The importers tend to focus
24 on, of course, the larger customers. Logistically, it
25 works that way. The other problem is that

1 pretensioners, at least in my case, use a different
2 size totally, a different size strand. It's not the
3 exact same strand that goes to a post-tension market.
4 It would be a risk for an importer to stock this size,
5 not knowing when he could sell it, because the
6 pretension market generally buys small quantities and
7 not on a monthly basis. It could go three months that
8 they'll buy and then not buy until they get another
9 project. Where a post-tension, at least a couple that
10 we're dealing with and this is in the Texas area, buy
11 on a monthly basis and we don't stock. The material
12 comes in and it goes straight to them.

13 I don't know if that answers --

14 CHAIRMAN OKUN: Well, I'm sure we'll spend
15 some more time on it. My red light has come on, so I
16 will turn to Vice Chairman Hillman. But, I guess, I'm
17 looking at the record, I'm looking at the loss sales
18 allegations, and those that were concerned and at
19 least in those instances, it's not as if they're not
20 citing subject imports. So, we'll all have a chance
21 and my colleagues will have a chance to cover that.
22 So, Vice Chairman Hillman?

23 VICE CHAIRMAN HILLMAN: Thank you, very
24 much. And I would join the Chairman in welcoming you
25 and thanking you for the time and effort that's spent,

1 both preparing your pre-hearing briefs, as well as all
2 the information presented this afternoon.

3 Maybe if I could start with sort of a
4 slightly different issue, but related to this, with
5 you, Mr. Barlage, in terms of trying to make sure I
6 understand your testimony, because there were two main
7 things I heard you say that were, obviously, very
8 different from what we heard this morning, but the two
9 that I want to make sure I understand. One is this
10 issue of whether, in fact, pretension product
11 application, whether there is a significant overlap
12 with the post-tension applications.

13 I mean, I think as you've heard the
14 testimony this morning, I was trying to understand
15 whether they are, in fact, competing for the same
16 application. Because I will say, coming into this
17 hearing, I was of the view that there were certain
18 applications that were clearly pretension applications
19 and that there were other applications that were
20 clearly post-tension applications, just the nature of
21 the product and the way it was sold and the actual
22 physical usage dictated that you use one application
23 method or another and that the amount of overlap was
24 not all that significant. So, to me, I wasn't seeing
25 a great number of opportunities in which there was

1 actual competition for whether you were choosing pre-
2 or post-tension. On the other hand, I heard
3 Petitioners this morning say that they think that, in
4 fact, the vast majority of projects are, in essence,
5 up for bid, if you will, or up for grabs between the
6 pre- and the post-tension folks.

7 I think I heard a different story from you,
8 but maybe if you could go back over this. I mean, in
9 your view, are the majority of applications ones in
10 which you could choose either a pre- or a post-tension
11 application?

12 MR. BARLAGE: To answer that, if you're
13 doing slab on ground, and this is the majority of the
14 business, slab on ground, you would use post-tension.
15 There would be no pretension application.

16 VICE CHAIRMAN HILLMAN: Not at all. And
17 when you say the "majority," can you have some --

18 MR. BARLAGE: I mean, from my experience and
19 the customers that I sell to in post-tension, I'm
20 going to say, 100 percent would not use pretension.
21 It would be post-tension for slab on ground.

22 VICE CHAIRMAN HILLMAN: Okay. And slab on
23 ground would represent -- do you have any sense of the
24 total consumption of pc strand, how much of that would
25 be used in slab on ground?

1 MR. BARLAGE: Of the material that's being
2 imported?

3 VICE CHAIRMAN HILLMAN: Of total consumption
4 of pc strand, would you have any sense of how much of
5 it goes into slab on ground?

6 MR. BARLAGE: Within the post-tension, if
7 the material is going for a post-tension application,
8 I'm going to say 95, maybe higher, for slab on ground
9 construction.

10 VICE CHAIRMAN HILLMAN: Okay.

11 MR. BARLAGE: Especially for the areas that
12 it's going to.

13 VICE CHAIRMAN HILLMAN: Okay. That's
14 helpful. And then on the flip side, would you say
15 that there are applications that are only pretension
16 applications?

17 MR. BARLAGE: Yes. There are applications
18 that would only be pretension. Like, for example, a
19 girder would be pretension.

20 VICE CHAIRMAN HILLMAN: Couldn't be done, is
21 never done with a post-tension?

22 MR. BARLAGE: Let me take that back. Yes,
23 it could be done, but it would probably -- this would
24 be in the design section, in the engineering section.
25 Yes, it could be done; but if it's done, rarely.

1 VICE CHAIRMAN HILLMAN: Okay. The second
2 piece of it that I wanted to make sure I understood,
3 because I was hearing a bit of a different take on it
4 this morning, which is this issue of the size and
5 tensile strength and other physical characteristics of
6 the pc strand. Because, certainly, what I heard this
7 morning is that the vast majority, I would have said,
8 quite the vast majority is what we price -- I mean,
9 the product that we price, which is this half-inch,
10 270 grade, low relaxation -- I'm sorry, I don't have
11 it in front of me, but this product is, in essence,
12 the vast majority of what is used. And, yet, you're
13 telling me that you think that, in fact, there's much
14 greater variance in the actual strand product that's
15 used in the post-tension markets.

16 So, is the product that we price, product
17 one, this half-inch 270 grade, low relaxation, is that
18 primarily -- I mean, is that product primarily
19 directed at the post-tension market or at the
20 pretension market?

21 MR. BARLAGE: Post-tension, in my case. I
22 can answer in my case, it's 100 percent post-tension
23 market would be the inch-and-a-half that they
24 discussed in the post-tension market.

25 VICE CHAIRMAN HILLMAN: Okay. And on the

1 pretension side?

2 MR. BARLAGE: The customers that I sell to
3 do not use the half-inch 270 grade. They use what
4 they call a half-inch oversize or a .6.

5 VICE CHAIRMAN HILLMAN: Point 6; so, a
6 larger diameter size?

7 MR. BARLAGE: Yes, or larger, or there are
8 some cases that is even smaller. Maybe, they're
9 stressing something that doesn't need such a high
10 tensile -- they'll purchase a 5/16ths. But,
11 generally, that is a pretension customer. A post-
12 tension customer has never bought those sizes from me.

13 VICE CHAIRMAN HILLMAN: Okay. So, you're
14 saying, in essence, virtually a 100 percent of the
15 post-tension market is that product one that we've
16 priced and, in your experience, none of the pretension
17 market is this package.

18 MR. BARLAGE: In my case, none.

19 VICE CHAIRMAN HILLMAN: Okay.

20 MR. BARLAGE: In the regular half-inch, no.
21 They need a higher tensile strength, in my case.

22 VICE CHAIRMAN HILLMAN: Okay. Mr. Utz, do
23 you have any take on this issue of the actual size,
24 tensile strength, et cetera, of the pc strand sold
25 into the pretension market versus that into the post-

1 tension market?

2 MR. UTZ: Thomas Utz. Our sales experience
3 is strictly in Texas for the slab on grade and it's
4 all half inch.

5 VICE CHAIRMAN HILLMAN: Okay. So, again,
6 your experience would be that 100 percent of your
7 product would be the low relaxation pc strand grade
8 270, half-inch diameter product?

9 MR. UTZ: That's correct.

10 VICE CHAIRMAN HILLMAN: Okay.

11 MR. LEWIS: Commissioner Hillman, if I
12 might?

13 VICE CHAIRMAN HILLMAN: Mr. Lewis, go ahead.

14 MR. LEWIS: This was an issue that we became
15 aware of certainly late in this process, but I just
16 wanted to make sure that this point was clear, that
17 there really are two different types of half-inch
18 product. There's a half inch and then there's a half-
19 inch oversize. I have a copy of Sumiden's fact sheet.
20 They call it something slightly different. The
21 oversize, they call it the high break. They are
22 differentiated by different thicknesses and then have
23 associated higher tensile strength for the thicker of
24 the two products. And I cannot speculate for you to
25 what extent the pricing data may include different

1 mixes of these two half inches. But, again, at the
2 risk of further complicating this record, I think the
3 Commission should be aware that there are two
4 different half inches that I believe could fit this
5 definition of the pricing product.

6 VICE CHAIRMAN HILLMAN: Okay. If there is,
7 I would ask you to, at a minimum, Mr. Lewis, to submit
8 what you just held up for the record, so that it is on
9 the record. And then, if you could help me understand
10 whether there are significant price differences
11 between what I'll call regular half inch, as opposed
12 to the oversized half inch. Are there and to what
13 degree are there price differences?

14 MR. BARLAGE: I could probably better answer
15 that. Yes, there is a difference in price.

16 VICE CHAIRMAN HILLMAN: How much? I would
17 assume the oversize is more expensive?

18 MR. BARLAGE: That's correct.

19 VICE CHAIRMAN HILLMAN: By?

20 MR. BARLAGE: Maybe \$30 to \$50 a thousand
21 feet.

22 VICE CHAIRMAN HILLMAN: Okay; all right. I
23 may have questions for the Petitioners that I may put
24 in writing post-hearing, just to make sure we get all
25 of the information that we need to get on this issue.

1 But, maybe if I could keep moving on, trying
2 to understand a little bit more on the argument that
3 Respondents are making on the sort of like product or
4 other issues. Ms. Ellsworth, in your brief and in
5 your testimony, you've described for us that we should
6 be dividing this into two like products: a covered
7 product and an uncovered product. It was not clear to
8 me from your brief where does epoxy coated fit within
9 your scheme of how we divide up the like products.

10 MS. ELLSWORTH: The only thing that we've
11 included in the covered group is the grease and
12 plastic covered products.

13 VICE CHAIRMAN HILLMAN: So, it would happen
14 to be epoxy coated?

15 MS. ELLSWORTH: I suppose it would stay with
16 the uncovered product. Well, the industry point
17 that's being made, it, also, is bonded to the
18 concrete, to the cement. So, it's a different sort of
19 application. Uncovered meaning that only the plastic
20 covering bonds with the concrete, not the pc strand,
21 itself. So for the epoxy coated, the steel, itself,
22 is bonding with the concrete.

23 VICE CHAIRMAN HILLMAN: Okay. I'm just
24 wondering how consistent this is with the argument for
25 the reason we should separate them; where you're

1 suggesting is, in part, a price issue, when you're now
2 going to have two products in one like product basket
3 that are on opposite ends of the price continuum, and
4 this kind of donut hole in the middle of the plastic
5 covered product.

6 MS. ELLSWORTH: And I understand the problem
7 with that. And, frankly, if we had more familiarity
8 with the product, we probably would have considered
9 other arguments, as well. I think there would be a
10 very valid argument for splitting it off for the very
11 reason that you've mentioned.

12 VICE CHAIRMAN HILLMAN: Okay. And then, Mr.
13 Utz, the last question is, we heard this morning that
14 the amount of value added from plastic coating was in
15 the 10 to 15 percent range. Would you agree with
16 that?

17 MR. UTZ: Thomas Utz. No, I would not. The
18 products that we sold during the period of
19 investigation has a 60 percent premium for the covered
20 strand.

21 VICE CHAIRMAN HILLMAN: Okay. I may come
22 back for a little bit more on that, but my red light
23 is on. Thank you, Madam Chairman.

24 CHAIRMAN OKUN: Commissioner Miller?

25 COMMISSIONER MILLER: Thank you, Madam

1 Chairman, and welcome and thank you to the witnesses
2 for being here, to help us understand your industry.
3 Mr. Utz, did you just say 16 or 60 -- six, zero?

4 MR. UTZ: Six, zero.

5 COMMISSIONER MILLER: Okay. That is your
6 estimate of the higher price of this covered product,
7 as compared to the uncovered product?

8 MR. UTZ: For the products that I imported
9 from Aceros Camesa, there was a 60 percent premium for
10 the covered products over the bare products.

11 COMMISSIONER MILLER: Okay.

12 MS. ELLSWORTH: Commissioner, if I could
13 add, unfortunately, a lot of the data are proprietary,
14 but we did look at this a couple of different ways in
15 our brief and compared various sources of data. And I
16 would just say that that number that Mr. Utz just
17 provided is not terribly inconsistent with what those
18 other sources revealed.

19 COMMISSIONER MILLER: Okay. I, too, like
20 Chairman Hillman, my questions, at least for the
21 moment, are to make sure I can sort of understand the
22 differences between what we hear in your descriptions
23 of the markets and the purchasers, versus what we've
24 heard this morning.

25 Let me go first back to the application

1 question. Mr. Barlage answered that primarily, I
2 think, for the Vice Chairman, in saying -- what I'm
3 really hearing is both of you, I believe, because I
4 think, Mr. Utz, you may have said the same thing, that
5 your sales to the post-tension market are primarily
6 the slab on ground; correct?

7 MR. UTZ: Yes, that's correct.

8 COMMISSIONER MILLER: Mr. Utz, you do sell
9 both covered and uncovered. Maybe, I can get you to
10 help me a little bit more. When it comes to the post-
11 tension market, you're primarily this slab on ground;
12 correct?

13 MR. UTZ: That's correct. In fact, both the
14 uncovered and covered strand that we sold, 100 percent
15 of it went to the post-tension market in Texas.
16 That's Camesa, Inc. sold.

17 COMMISSIONER MILLER: Okay. And it's use
18 was heavily, whether it's covered or uncovered -- or
19 do you necessarily know what the --

20 MR. UTZ: I don't necessarily know; but just
21 through communications with the users, our customers,
22 almost 100 percent of it went to slab on grade usage.

23 COMMISSIONER MILLER: Okay. I'm still sort
24 of struggling with this application issue, and your
25 description of it versus the Petitioners' description

1 of how those in the pretension versus post-tension
2 markets do compete with each other. Do you see that
3 at all?

4 MR. UTZ: No, not to my experience, because
5 we didn't try to sell to the pretension market at all.
6 We concentrate exclusively in Texas, exclusively on
7 the post-tension market. It's the market that's
8 geographically closest to us. Plate is a huge issue
9 in selling this product. So, all prices are f.o.b.,
10 the end users location. So, we can't ship it really
11 far distances. If there's another plant or another
12 distribute or whatever closer to the end user than you
13 are, freight will always be a very large consideration
14 winning the order. So, we concentrate on Texas.

15 So, I really don't know that much about the
16 pretension market.

17 COMMISSIONER MILLER: Okay. And when you
18 say, "end user," you mean the company that is actually
19 putting it into that concrete product?

20 MR. UTZ: Well, to me, the end user is the
21 company that cuts the strand into the project's
22 specific links and are attaching the fittings. Any
23 number of companies might actually get down on their
24 hands and knees and install this in your home
25 foundations or that sort of thing. But, the end user

1 is basically the person that cuts it into project
2 specific links. In most cases, they, also, convert
3 it. They will add the plastic coating.

4 MR. STOKES: Commissioner Miller, if I may?
5 Chris Stokes from Hogan and Hartson.

6 COMMISSIONER MILLER: Mr. Stokes?

7 MR. STOKES: I wrestled with this in the
8 beginning, as well. And what I found helpful is to
9 think about the point of sale, where potentially
10 imports could compete with the U.S. produced pc
11 strand, and that is always going to occur at the point
12 where either the imports or the U.S. guys are trying
13 to sell to primarily a post-tension customer, a post-
14 tension end user, and what that end user does and the
15 projects he bids on and his labor costs, his
16 profitability structure and his financing, and all
17 those variables. And when he purchases, say, an
18 engineering firm or a builder and he's competing with
19 a rebar, maybe a whole other contractor, and the
20 number of variables that go into that calculation, to
21 try and figure out whether or not some point down the
22 road a pretension I-beam is competing with some guy,
23 who had a whole gigantic bid and in there was a post-
24 tension beam, I think that's going to be very, very
25 difficult for us to sort of unravel and try to figure

1 out if their -- and then, you have to try and figure
2 out if the one project had imported steel and the
3 other one had U.S. steel.

4 I think that gets a little bit obtuse to try
5 to unravel that and figure out there was price
6 competition. I think if we focused the analysis on
7 the point of sale, whether U.S. guys are selling to a
8 customer, and then they're done. The importer guys
9 are selling to a customer -- and these are in the
10 pretension market to post-tension customers. In the
11 pretension market, it would be a pretension customer.
12 Our basic premise, we're almost invisible in the
13 pretension market. So the only areas that even add to
14 this conversation is the post-tension side and the
15 analysis really stops at the moment the sale is made
16 to the post-tension customer. I really think it's
17 going to be difficult to try and take it a couple more
18 levels down into the blueprints of a building and
19 trying to figure out what happened there and what some
20 markets decided and some firms decided to do.

21 COMMISSIONER MILLER: You're right, there's
22 a limit as to how far we can go in that way. I guess
23 what -- to the extent you're arguing that these are
24 two separate market segments, I'm trying to understand
25 what makes them different market segments. What

1 creates that segmentation that you've described?

2 MR. STOKES: Yes. And we found it helpful
3 to think of two things. There's manifestations of the
4 differences and then there's actual reasons for the
5 differences. Some of the reasons Peter shared with us
6 this morning: the customers tend to be smaller, pre-
7 stress side; they tend to have -- it's more
8 technically challenging; the equipment you need to do
9 it, it's a lot more capital intensive to do the stuff
10 on site -- I mean, in the building, as opposed to on
11 site. So, there's all these manifestations of it.
12 And the fact that when you ask the U.S. guys, do they
13 know of any customers that are dabbling in both
14 markets, you had radio silence. It just does not
15 happen.

16 So, there's reasons for it and then there's
17 sort of manifestations of it. And I think there's two
18 different conversations to be had there.

19 COMMISSIONER MILLER: Right. And a number
20 of those characteristics of the customers, it seems to
21 me, you all agree with Petitioners. You both describe
22 them as smaller companies operating on site. I mean,
23 there's a lot of what you've described that is
24 similar, it's on the application process, in
25 particular, that the similarity seems to break down.

1 And given the fact that a lot of what you said is
2 similar, that's sort of like similar up to here, and
3 then there's this other point that seems to break
4 down.

5 MR. STOKES: Well, I think we feel that if
6 their defense is reduce -- they've got to say, we're
7 selling to the post-tension market and then our
8 customers are being successful in winning contracts in
9 buildings that are taking away -- those builders,
10 those design firms are winning these contracts and
11 their building the buildings, as opposed to their
12 guys, which are the pretension guys, where they're
13 trying to funnel pc strand into a project, I think if
14 that's their position, we'll have to just take that
15 on. I think that's a very, very difficult position
16 for them to defend.

17 We think the clearer analysis for the FTC
18 and I think the more manageable one is at the point of
19 sale, are we taking customers from them, are they
20 taking customers from us, what's going on with the
21 market shares, what's going on with pricing. And the
22 reason why we think -- that the beauty of this final
23 is that we have great information, so you guys can
24 untangle this. They want you to look out of the
25 window of a plane at 30,000 feet and say, well, what

1 do we see, prices going down, imports coming in,
2 volume going down, done, it's over.

3 But what we've done and what the staff has
4 actually done is separated all this. So, you can look
5 at what's happened in the pretension market, look at,
6 are we coming and stealing customers from them, are we
7 underpricing from them, are there price trends in that
8 market that are different from price trends in the
9 post-tension. You have an enormous amount of
10 information to untangle this and see what's going on.
11 And we're not saying don't look in both places. We're
12 just saying, you now have the information to look at
13 both markets separately, understand them separately,
14 and understand the significance of what's going on in
15 each market, to the overall pieces of them that we
16 were a significant cause of material injury to them.

17 COMMISSIONER MILLER: Okay. I appreciate
18 that.

19 MR. LEVIN: Commissioner Miller?

20 COMMISSIONER MILLER: My red light is on.
21 I'm sorry, Mr. Levin.

22 CHAIRMAN OKUN: When you come back, Mr.
23 Levin, I'll let you finish on my time. Commissioner
24 Koplan?

25 COMMISSIONER KOPLAN: Thank you, Madam

1 Chairman, and I thank the witnesses for their
2 testimony thus far. Let me start with this: the
3 staff report, at pages one to three of chapter one,
4 reviews previous and related Commission investigations
5 concerning pc strand, none of which resulted in a
6 finding of segmentation in this industry, but rather
7 that's consistent with Petitioners' argument in
8 support of a single like product. I actually
9 participated in a couple of the investigations
10 mentioned there.

11 What technical advances, if any, have now
12 occurred, in the manner in which this product is
13 produced, that supports your position? And if there
14 were such advances, how and when did this occur?

15 MS. ELLSWORTH: I'll jump in on that. I'm
16 not sure that they were really technical advances, so
17 much as they were -- it may not have been an issue in
18 prior investigations simply because of the nature of
19 the imported product. As in this case, the vast
20 majority of subject imports are uncovered pc strand.
21 And as you look at the record, you'll see that
22 virtually all of it comes from Mexico. It's a fairly
23 unique position.

24 COMMISSIONER KOPLAN: I understand what
25 you're saying. Let me phrase it maybe a little

1 different; maybe this will help. What modernization
2 has taken place since we've last considered these same
3 issues and at what new cost? Didn't these same
4 segments exist previously? These didn't suddenly
5 arise during the period of this investigation, did
6 they, what you're arguing? I'm trying to understand
7 what's happened over the course of time, when you look
8 at the investigations that are cited in the beginning
9 of our staff report?

10 MR. STOKES: If I may, Chris Stokes from
11 Hogan and Hartson. I don't have the benefit that you
12 did, of being involved in any of those previous
13 investigations.

14 COMMISSIONER KOPLAN: They are cited in our
15 staff report.

16 MR. STOKES: Just to qualify my perspective.
17 My understanding is -- I guess the most recent one was
18 the Sunset hearing in Japanese --

19 COMMISSIONER KOPLAN: That was a 1998 case.
20 But, also, pc strand was involved to an extent in the
21 201, which is during the period of this investigation.

22 MR. STOKES: And that one, I was involved
23 in. So, if I could go back to the Japanese one. I
24 think, as I recall, the Japanese were not involved in
25 the Sunset hearing. I don't believe they participated

1 in that. And so, I would say that this dialogue might
2 not have been provoked, at that point, just because
3 the Japanese, I don't believe were very active in
4 that.

5 COMMISSIONER KOPLAN: Well, what I am
6 saying, though, is the Commission made a finding there
7 that the appropriate definition of domestic like
8 product in the expedited five-year review was the same
9 as Commerce's scope, all steel wire strand, other than
10 alloy steel, not galvanized, which has been stress
11 relieved and is suitable for use in prestressed
12 concrete. And we further determined that the
13 appropriate domestic industry was all producers of pc
14 strand. I mean, that was what we found in that Sunset
15 review.

16 MR. STOKES: My apologies. I was not
17 thinking of a like product question. We, as the
18 presenting respondents, are not raising a like product
19 issue here. We're raising the market segmentation
20 issue.

21 COMMISSIONER KOPLAN: So, you see where I'm
22 going with it?

23 MR. STOKES: Yes.

24 COMMISSIONER KOPLAN: I'm trying to
25 understand --

1 MR. STOKES: If you're focusing on the like
2 product, I think maybe the Mexicans should respond.

3 MS. ELLSWORTH: I've talked with Mr. Utz
4 very briefly and they've been importing covered
5 products for 10 years or so anyway. So, I'm not sure
6 that there's been any change in what they've done.

7 COMMISSIONER KOPLAN: Okay.

8 MS. ELLSWORTH: They, obviously, weren't
9 involved in the other proceedings. But, my only
10 understanding is that the other cases, the issue of
11 covered versus uncovered really didn't come to a head.

12 COMMISSIONER KOPLAN: I appreciate that. I
13 think you've covered that for me. If I could go on to
14 another question, then.

15 Petitioners claim that the process of
16 greasing and encasing pc strand in plastic is
17 relatively recent and proprietary. We've heard that
18 today and it's also page 16 of their brief. Well, to
19 the contrary, you all claim that it adds substantial
20 value to the uncovered strand. Notice to assist me in
21 choosing between your respective arguments, I would
22 like you to answer the following series of short
23 questions.

24 First, what type and level of technical
25 expertise is needed and what type of equipment and

1 facilities are needed to grease and encase pc strand
2 in plastic and, approximately, how much does it cost
3 to set up such an operation?

4 Second, approximately what portion of the
5 total cost of the plastic coated product consists of
6 the value added in the greasing and encasing process?

7 And, finally, approximately how many
8 additional employees are needed and how many
9 additional work hours are required to accomplish that?

10 If you can respond to that now, that would
11 be fine. If you'd rather do it post-hearing, I can
12 take it post-hearing.

13 MS. ELLSWORTH: We'll have it in our post-
14 hearing brief.

15 COMMISSIONER KOPLAN: Thank you. I do look
16 forward to getting that information.

17 Mr. Utz, how do you reconcile the 10 to 15
18 percent price premium that we heard this morning, with
19 the 60 percent price premium for covered versus
20 uncovered? How can you be competitive, if you are
21 charging approximately 50 percent more to your covered
22 product? This morning, I heard Petitioners say that
23 their customers are buying this coated from Mexico,
24 because it's cheaper to do that. And I heard your
25 response this afternoon. I'm wondering whether you

1 can provide me, for the post-hearing, with
2 documentation to your argument, where you're
3 documenting transactions that you've done, that
4 reflect this premium. But, I'd like to hear what you
5 could say now to me, in the open session.

6 MR. UTZ: I can't address the 10 to 15
7 percent estimate. But the DOC, the team that visited
8 our plant, looked at our records, and you have a copy
9 of the information that they obtained from us, pricing
10 on the bare strand and the covered strand, and Camesa,
11 Inc., of course, was doing the invoicing to the U.S.
12 customers. And there's definitely, depending on the
13 time period that you're talking about, somewhere
14 between 50 and 65 percent premium that Camesa, Inc.
15 charged the end user for the covered product.

16 COMMISSIONER KOPLAN: I appreciate the fact
17 that you get into this with the Department of
18 Commerce. Could you provide us, for our records, with
19 documentation on this issue?

20 MR. UTZ: We'll do it.

21 COMMISSIONER KOPLAN: Will you do that for
22 post-hearing?

23 MR. UTZ: Yes, sir; absolutely.

24 COMMISSIONER KOPLAN: Thank you, very much.
25 Let me stay with you, if I could.

1 MS. ELLSWORTH: I'm sorry, can I add two
2 other points on that?

3 COMMISSIONER KOPLAN: Certainly.

4 MS. ELLSWORTH: Sorry.

5 COMMISSIONER KOPLAN: Go ahead.

6 MS. ELLSWORTH: The first is that, actually,
7 we did, I think in our brief, comparison is, I believe
8 it's just Camesa's product one and product two sales,
9 which will show, based on a quarterly sales data that
10 the Commission collected, and that shows a roughly
11 comparable value added sort of calculation.

12 The other point that I'm going to make, I
13 know --

14 COMMISSIONER KOPLAN: If there's anything
15 that you can add to that in the way of documentation -
16 -

17 MS. ELLSWORTH: Certainly; surely.

18 COMMISSIONER KOPLAN: -- for backup, I'd
19 appreciate it.

20 MS. ELLSWORTH: We'll be glad to.

21 COMMISSIONER KOPLAN: Thank you.

22 MS. ELLSWORTH: The other point that I
23 wanted to make is that there was a suggestion this
24 morning that the price differentials or the prices for
25 the covered products must be inflated by cost for

1 installation or design work that was also included.
2 And during the break, I talked with Mr. Utz about that
3 and he assured me that there was nothing that was
4 reflected in their prods letter, product two quarterly
5 pricing data, other than the price of the product,
6 itself. It does not include anything such as
7 installation or design. So, that made me wonder, you
8 know, well, how did they come up with this price
9 differential anyway, especially since this is the
10 product that they don't sell and they may not be very
11 aware of what the cost to the consumer is of covered
12 pc strand.

13 COMMISSIONER KOPLAN: Thank you. Anything
14 else anybody wants to add to that?

15 (No response.)

16 COMMISSIONER KOPLAN: If not, why don't we
17 move on to another question. This morning, I asked
18 Petitioners a question regarding channels of
19 distribution for covered versus uncovered pc strand.
20 And they contend that certain bracketed subject
21 importers have misclassified their sales to end users,
22 their sales to distributors, and that tables 1-2 and
23 1-3 of the pre-hearing staff report should be revised
24 or eliminated from the final report, to "correct the
25 inaccurate classification of sales and resultant

1 suggestion that different channels of distribution
2 exists, when, in fact, there's substantial overlap in
3 sales to the same customers between and among the
4 subject imports and the domestic like product."
5 That's at page 27 of their pre-hearing brief. Could
6 you respond to that? I see the light is about to go
7 on. Could you respond as quickly as you can to that?

8 MR. UTZ: Well, speaking just for Mexico, we
9 definitely sold to a distributor in Texas. We, also,
10 sold to an end user in Texas. Again, the DOC
11 investigation determined that information and we'd be
12 happy to give you a copy of that, too.

13 COMMISSIONER KOPLAN: Have you provided that
14 to us, as well? If not, could you do so?

15 MR. UTZ: We will.

16 COMMISSIONER KOPLAN: Thank you. Thank you,
17 Madam Chairman.

18 CHAIRMAN OKUN: Commissioner Pearson?

19 COMMISSIONER PEARSON: Let me go back to an
20 issue raised by Commissioner Koplán. Do you have any
21 estimate of the percentage of your sales in Texas that
22 are made to post-tensioners, who have the capability
23 to buy bare strand and coat it themselves?

24 MR. UTZ: For my company, I think 50 percent
25 of their sales were sold to a post-tensioner, who

1 could convert it themselves. So, they could buy bare
2 strand from anybody.

3 COMMISSIONER PEARSON: Any other estimates?

4 (No response.)

5 COMMISSIONER PEARSON: Do you have any
6 comment in the back? Mr. Barlage?

7 MR. BARLAGE: Sir, I only sell raw strand.
8 I don't sell coated strand.

9 COMMISSIONER PEARSON: Okay, thank you. Mr.
10 Utz, if the customer has the capability to coat it
11 himself, why does he buy the coated product from you?

12 MR. UTZ: It's been our marketing strategy
13 to offer covered strand to converters, so when they
14 have periods of high activity and they can't keep up
15 with the demand with their own covering capability, we
16 are there to provide that product for them.

17 Then, there's also a fairly good number of
18 customers, small post-tensioners, that cannot extrude.
19 So, they will always buy a covered product. We serve
20 both of those two needs: when peak periods and they
21 can't keep up or we have inventory and they can buy
22 from us and have it shipped to a location. Some of
23 these big post-tensioners have 15, 20 locations around
24 the country. So, it's a logistics inventory question
25 for them. And we're in a niche that they utilize.

1 COMMISSIONER PEARSON: Do you have some
2 post-tension customers, who have the capability to
3 coat themselves and who, depending on their
4 circumstances, will buy either bare strand from you or
5 coated strand?

6 MR. UTZ: Yes, we do.

7 COMMISSIONER PEARSON: And are they buying
8 primarily based on a price difference or because of
9 physical capacity limitations that they have, in terms
10 of adding the coating to the strand?

11 MR. UTZ: Well, the one big post-tension
12 company would buy primarily the bare strand and would
13 only buy a covered strand when they couldn't produce
14 enough covered strand themselves for their own needs.
15 The other customer that we sold to during the period
16 of investigation couldn't extrude, so they would only
17 buy the extruded product from us.

18 COMMISSIONER PEARSON: Okay. The post-
19 tension customers, who have the capability to add
20 their own coating, are their plants configured such
21 that they can easily switch from their own coating
22 line to a coil of coated strand that comes from you?
23 Are the plants -- I'm not asking the question very
24 well, but I'm just wondering --

25 MR. UTZ: I understand the question, I

1 think.

2 COMMISSIONER PEARSON: -- it's not unusual
3 to have additional costs to deal with somebody else's
4 product, rather than what's coming off your own line.
5 Could you --

6 MR. UTZ: Not really. There's two distinct
7 operations. If you buy bare strand and you extrude it
8 and then you have a big coil of covered strand. So,
9 then, you have to cut this coil into project specific
10 links and attach it. So, if you buy covered strand,
11 you just skip step two. So, in their internal
12 process, there's really no difference. I mean,
13 there's one less step for them. They don't have to
14 extrude it.

15 COMMISSIONER PEARSON: So, as a practical
16 matter, what you're indicating is that their plants
17 are configured to put the newly coated strand that
18 they're -- they're starting with bare strand. They
19 put the coating on. It goes right into a coil.
20 They're not running it straight into a cutting line
21 and --

22 MR. UTZ: No. It goes into a coil and then
23 the coil is cut.

24 COMMISSIONER PEARSON: Okay, thank you.
25 Does Mexico have any competitive advantage in the

1 production of pc strand or its coating that gives some
2 fundamental advantage to the Mexican producers?

3 MR. UTZ: No, not that I'm aware of.
4 Everyone generally thinks that labor is cheap in
5 Mexico. They should try negotiating with the union.
6 They might find out that's not quite the case. I
7 don't really think that we have a big advantage, if
8 any.

9 COMMISSIONER PEARSON: How about the
10 relative values of steel? Certainly, in this country,
11 we have had, during the period of investigation, a
12 Section 201 import tariff on some steel products that
13 had certain affects on the U.S. steel market. Did you
14 see a price differential in steel between the two
15 countries that might have given advantage to the
16 Mexican pc strand manufacturers?

17 MR. UTZ: We don't really see that, because
18 of the high carbon content of the rod that's required
19 to make this product. This high carbon rod is
20 virtually the same all over the world. There is some
21 freight differences where you buy it, but the price of
22 the rod, itself, based on the carbon content, is
23 pretty universally the same.

24 COMMISSIONER PEARSON: Okay. And does the
25 rod, itself, sometimes move from a manufacturer to a

1 user across the U.S.-Mexican border?

2 MR. UTZ: Yes, we do buy U.S. rod, some.

3 And then, we buy rod from other places, too.

4 COMMISSIONER PEARSON: Okay, thank you. Is
5 anyone able to comment on the new pc strand
6 manufacturing facility that may be coming on line in
7 Texas, that we discussed earlier with the Petitioners?
8 Is it going to happen? Will it have an effect in the
9 marketplace?

10 MR. UTZ: It's definitely going to happen.
11 Sales won't commence until January, I think. But,
12 yes, it's definitely going to happen.

13 COMMISSIONER PEARSON: Okay. I assume
14 before saying much more, you'd probably stray into
15 areas that are business confidential, that you prefer
16 not to discuss.

17 MR. UTZ: That's exactly right.

18 COMMISSIONER PEARSON: But, thank you for
19 confirming its existence.

20 MR. LEVIN: If I may add, Commissioner,
21 absolutely, there's a lot of confidential information
22 here. But one point that Mr. Utz made to me at the
23 break and for a long time now is that the plan for the
24 manufacturing operation was on the table and in motion
25 before this case was filed.

1 COMMISSIONER PEARSON: So, you're suggesting
2 that this new facility is not simply a response to the
3 petition that was filed here a number of months ago?

4 MR. UTZ: No, clearly it's not. We had a
5 strategic meeting in 2001, to identify long-range
6 objectives, and that's one of the ideas I put on the
7 table, based on the size of the market and only one
8 plant in Texas. It's been in the planning process
9 since 2001.

10 COMMISSIONER PEARSON: And the location in
11 Texas was quite critical to the decision? Because, my
12 understanding --

13 MR. UTZ: Well, it was convenient, because
14 it's located at the same property as Camesa, Inc.

15 COMMISSIONER PEARSON: That would be
16 convenient. But during this time, there were other
17 facilities in the United States that were being closed
18 down. It might have been possible to acquire one of
19 those at a modest price. Was consideration given to
20 that?

21 MR. UTZ: You chose the right word,
22 "modest." They wouldn't sell it at a modest price.

23 MR. LEVIN: There is, if I may,
24 Commissioner, an element of location, location,
25 location involved here, especially with regard to the

1 post-tension market. Texas is a dominant user of pc
2 strand for the post-tension market. Mexico is right
3 next door. You had asked before whether or not Mexico
4 has any competitive advantages. I'm not sure if this
5 would quite fall under the category of competitive
6 advantages, but the fact that Texas sits right aside
7 from Mexico places the Mexico supply in a position
8 that may not be as well suited for the vast majority
9 of domestic production of pc strand. And there's also
10 factors that play into the notion of opening up a new
11 manufacturing operation in Texas that ties in on that
12 element.

13 COMMISSIONER PEARSON: And am I safe in
14 assuming that the pc strand production in Mexico
15 that's entering in the United States is coming from
16 somewhere around Monterey, rather than somewhere
17 around Mexico City, for the transportation reasons
18 that you cite?

19 MR. UTZ: No. Actually, our production is
20 in Mexico City.

21 COMMISSIONER PEARSON: And it comes up by
22 truck from there?

23 MR. UTZ: By truck, all the way to Houston.

24 COMMISSIONER PEARSON: It's not clear to me
25 that Mexico City is a whole lot closer to Texas, than

1 is Wichita. But, Madam Chairman, my light is about to
2 change. I think I'm going to stop.

3 CHAIRMAN OKUN: All right. Well, Mr. Levin,
4 before I get started, I had promised that you could
5 respond to Commissioner Miller on my time. Did you
6 still have something you wanted to add? I believe we
7 were talking about application.

8 MR. LEVIN: That's very kind of you, Madam
9 Chairman. I did, and it picks up on this point with
10 some of the unique attributes of Texas. I'm looking
11 at the Post-tensioning Institute report, summary of
12 tonnage reports for the year 2001. This was an
13 exhibit in the post-conference brief. It's a public
14 exhibit. And I'm looking at zone 2A, which includes
15 Texas and Oklahoma and Nevada. But, for all intensive
16 purposes, we're really talking Texas.

17 Total usage of post-tension pc strand,
18 35,759 ton equivalence; for slab on ground or slab on
19 grade application, 30,259 tons. So, roughly, 30,000
20 out of 36,000 tons of the pc strand in the post-
21 tension market in Texas is being used for slab on
22 ground application. That application is not
23 susceptible to any sort of substitutability between
24 pre-cast and post-tension pc strand at the design
25 stage or any stage whatsoever. That has to be post-

1 tension pc strand. And thank you, very much, Madam
2 Chairman.

3 CHAIRMAN OKUN: Thank you for those further
4 comments. Mr. Utz, let me return to you. And I had
5 to leave for a couple of minutes, so if you responded
6 to this, just let me know and I can come back to it.
7 But, the question is whether you know -- you were
8 describing yourselves to purchasers, one of whom I
9 think you described as purchasing when it didn't have
10 enough -- I don't know if it's capacity, but it bought
11 coated when it ran out of room to coat its own, and
12 that the other one didn't have the coating ability
13 there. And I just wondered if you had described
14 whether you know whether that changed over time. And
15 the reason I ask it is when Mr. Wolfe was talking
16 about their sales to post-tensioners, and I think one
17 of the things he had commented on this morning is that
18 they used to sell to some big purchasers, who then
19 found it -- then they go out, because maybe the
20 competition. But what that purchaser is now doing is
21 buying coated product elsewhere, because it's so
22 cheap, that they don't even need to coat anymore.

23 And I wondered from your experience in
24 selling to different purchasers, whether you've seen a
25 shift in purchasers, who have started to buy more of

1 your product, even though they might have facilities
2 to coat in place, with an investment in those
3 facilities.

4 MR. UTZ: Yes, I have seen such. I wasn't
5 in the industry in the 1990s, when, apparently, the
6 domestic producers were coating. But since 2000,
7 you're exactly right.

8 CHAIRMAN OKUN: And what do you attribute
9 that shift to?

10 MR. UTZ: They don't have to spend the
11 capital. They don't have to go through the plant
12 certification processes. They don't have to have the
13 QC people, plant training, safety. It's a big added
14 cost to do your own extrusion and it's not such a
15 simple task to do this. There are certain
16 specifications and the product is inspected at the job
17 site. And if it doesn't meet the technical
18 specifications, then it's rejected. So, there's quite
19 a bit of effort into this.

20 CHAIRMAN OKUN: Okay. That description, I
21 guess, you did give earlier would be, you think that
22 applies to those, even if they've already invested in
23 the plant facilities or the machinery necessary to do
24 this coating, that they would still see some advantage
25 -- some economic advantage, some advantage to their

1 bottom line, by bringing it in as already coated, even
2 if they've already invested?

3 MR. UTZ: Yes. A good example would be a
4 subdivision. If a housing contractor lets 100 houses
5 go at once, then that might be a spike in the business
6 that a particular converter or post-tension company
7 couldn't handle. So, then, they would just buy in the
8 strand, coated strand, to service that contract.

9 CHAIRMAN OKUN: Okay. All right. Then, let
10 me come back to a point that I think I ended my first
11 round on, and this would be for both the Brazilians
12 and the Mexican respondents, which is the linkage, if
13 any, between the pretension market and the post-
14 tension market. I mean, even taking for a moment kind
15 of your segmentation of pretension and post-tension,
16 if we look at the purchasers, where you have domestic
17 industry selling to the same purchasers, at least in
18 post-tension, what kind of spillover is there into the
19 pretension market? Mr. Utz?

20 MR. UTZ: For us, absolutely none. We have
21 no customers that do both.

22 CHAIRMAN OKUN: Okay. Mr. Barlage?

23 MR. BARLAGE: That's correct. We have
24 customers that don't do both, not involved in both,
25 pretension or post-tension.

1 CHAIRMAN OKUN: Okay. But what -- and maybe
2 this is to counsel the response, which is, your -- the
3 folks sitting here that you're representing are
4 describing their post-tension market. But, if we look
5 at whose purchasing from whom, that there are some big
6 purchasers in the market and they buy both domestic
7 and they buy both U.S. and in the loss sales and loss
8 revenue that were confirmed allegations of loss sales
9 and loss revenue. Maybe you can comment on that.
10 Once we take out the loss sales, loss revenue, and
11 then my specific question is, if that's going on and
12 we look at the prices in the pretension market, what
13 would prevent them from spilling over those prices,
14 price declines going over into the pretension market,
15 where there's at least some subject imports in there?

16 MR. STOKES: Chris Stokes from Hogan and
17 Hartson. We think once you start focusing on that,
18 you're doing the exact right thing. We're saying in
19 the pretension side, you really need to spend very
20 little time, because we're not there. In the Buy
21 America -- so, now, you're over in post-tension. In
22 the Buy America segment of post-tension, you really
23 need to -- you don't need to spend a lot of time
24 investigating the role of imports, because we're not
25 there.

1 The only place that's really interesting in
2 this case is their unrestricted post-tension segment.
3 And when the conversation turns to that, then we start
4 talking about volume activity there, pricing activity
5 there, and then this guesswork chart that they called
6 it, that gets into the impact of competition there.
7 So, I think that's exactly what the Commission should
8 be doing, focusing on the competition and the only
9 place where imports really meaningfully compete, and
10 then stepping back and going to the statute. Is what
11 happened in that small sliver of the market
12 significant and is it a significant cause of what
13 they're saying happened to them?

14 And our position is that there is no
15 spillover between any activity that goes on in the
16 pretension market and the post-tension market. Peter
17 can maybe speak to this. But, the customers don't
18 talk to each other. They don't share pricing
19 information. There's not a customer, as Peter said in
20 his testimony, that comes in and says, I want to buy
21 pc strand. I'm not really going to tell you which
22 market I'm going to. It's always very well known
23 between the seller and the buyer what market they're
24 in, where they're going for. And there's not the
25 dissemination of information, as you all, I think,

1 start to put your fingers on this morning, so that the
2 prices would converge. There's a very obvious divide
3 between those markets and that's why you have
4 different pricing.

5 Peter, maybe you can speak to that.

6 MR. BARLAGE: In my situation, I do sell
7 very, very little to a pretension customer. This
8 pretension customer is not in Houston. It's in the
9 east coast. I know for a fact, the east coast
10 customer has no clue what's going on in Houston or
11 does he care what goes on in Houston. Now, I can't
12 say if a pretensioner knows about a post-tensioner's
13 price in Houston. I cannot say that, because I don't
14 sell to that kind of customer. But, as far as the
15 small customers that we have for pretension, total
16 opposite end of the worlds and they don't even walk
17 the same paths, when it comes to pretension and post-
18 tension.

19 CHAIRMAN OKUN: Ms. Ellsworth?

20 MS. ELLSWORTH: If I could just add one
21 point to that.

22 CHAIRMAN OKUN: If you could pull your
23 microphone a little closer, please.

24 MS. ELLSWORTH: I'm sorry. If you're
25 looking at what was referred to as a fairly small

1 sliver of the market where there can actually be
2 competition, with respect to imports from Mexico, you
3 have to keep in mind, also, that only a third of the
4 product that's imported has been uncovered pc strand.
5 So, for us, the impact is even smaller. We feel that
6 the covered pc strand has its own -- it's its own
7 product. It's competing with other producers than the
8 ones that are here. The uncovered product represents
9 only about one-third of the total imports and,
10 therefore, has even a more diminished impact.

11 CHAIRMAN OKUN: Mr. Lewis?

12 MR. LEWIS: I would just add, I think it's
13 fair to say, in looking at the data here, and I'm
14 thinking in particular the Commission's finding, in
15 terms of variance analysis, that this really isn't the
16 volume case. This is a price case. And to me, the
17 loss sales allegations, whatever emphasis would be
18 placed on it as essentially anecdotal data. But, in
19 any event, it really speaks predominantly to loss
20 volume, rather than loss -- you know, lowered prices.
21 And so, I think for that reason, the thing to turn to
22 is where the Commission actually collected pricing
23 data and that tells a completely different story.

24 CHAIRMAN OKUN: Okay. I see my red light is
25 going to come up, but I will come back to the question

1 on the 30,000 view, as opposed to down in the
2 segmented part of this. But, I'll turn to Vice
3 Chairman Hillman right now.

4 VICE CHAIRMAN HILLMAN: Thank you. And with
5 apologies to Petitioners, but I do want to make sure
6 that I go ahead and pose the question now for
7 answering in the post-hearing brief, just so that it's
8 on the transcript, as opposed to waiting for it to
9 come out, which is an issue that Mr. Lewis and Mr.
10 Barlage raised. Mr. Barlage referred to this
11 oversized one-half inch pc strand sold to pretension
12 customers.

13 And so my question, if you could for the
14 post-hearing, is, does the domestic industry make this
15 product? How different is it from the other one-half
16 inch product? Did you include sales of oversized
17 product in your pricing data? And if so, can you
18 resubmit your data separating out the data on the
19 oversized product? I would simply ask for that for
20 the post-hearing, just to put it on the record now,
21 rather than waiting to get a question in writing.

22 MR. ROSENTHAL: We'll use up 10 seconds of
23 our time right now, so you're not kept in suspense.
24 We did not include that product in our pricing data.
25 It accounts for maybe one percent of total Sumiden

1 sales, but it is not in the pricing data you've got.

2 VICE CHAIRMAN HILLMAN: Thank you. I
3 appreciate that. Then, we probably don't need to
4 spend any time answering the question; but,
5 nonetheless, I wanted to make sure we got that on the
6 record sooner rather than later.

7 I guess, I do want to come back to -- on the
8 Respondent side, to this issue that the Chairman was
9 raising, which is, whether there is -- I understand
10 your points about whether this is a price case or a
11 volume case and whether there's a segmented market.
12 But, even in cases where we see market segmentation,
13 one of the things that we obviously try to look at is
14 even if it's a segmented market, nonetheless, do price
15 effects from one market bleed over into the other
16 market. And that's what I'm trying to get a sense of,
17 because I will say, when I look at the pricing data
18 that we have in both markets, they're obviously
19 exhibiting very similar trends, which begs the
20 question of sort of why is that, if there isn't some
21 bleed over from one market to the other, in terms of
22 it.

23 And when I say that, I'm looking at the pre-
24 market, the post-market, as well as the Buy America
25 market. They are all exhibiting very similar trends.

1 And if you just look at what did they do over time,
2 they're very similar trends. So, if it's not -- I'm
3 trying to understand how I look at that data and
4 nonetheless walk away from it with the conclusion that
5 you want me to draw, which is nobody from one market
6 talks to the other, nobody from one market knows what
7 the prices are, and that the prices in one of these
8 markets has nothing to do with the prices in the other
9 market. When I step back and look at the data,
10 they're all moving -- there's this kind of
11 differential between them, but they're all following
12 very similar trends.

13 So, if there isn't any bleed over between
14 these markets, why is that the case?

15 MR. LEWIS: If I might, Craig Lewis, Hogan
16 and Hartson. I think it's clearly a very complicated
17 question, but I think one factor that should be
18 considered. There is one thing that I will say right
19 now, it's completely common to everything in the
20 market that we've been talking about right here, which
21 is that demand for this product comes from the
22 construction industry. It's derived from construction
23 activity in the country. And we could start to talk
24 about different segments within construction -- you
25 know, public construction, highways versus slab on

1 ground -- but, it's basically all different types of
2 construction. And it is important to recognize that
3 the time span of the period of investigation at issue
4 here has right smack in the middle of it September 11,
5 2001. And it's very well known that the manufacturing
6 and construction industries in this country took a
7 dip. And I think that has an effect that would
8 obviously cut across all possible segments and I think
9 that that's probably the most powerful explanation for
10 similarity and trend.

11 VICE CHAIRMAN HILLMAN: Mr. Stokes?

12 MR. STOKES: If I may, Chris Stokes. Yes, I
13 think we're always in these cases struggling with
14 causation; what causes other things to happen. And is
15 it a strike at GM? Is it hot-rolled influencing in
16 cold-rolled? You're always trying to look for a
17 vector that's causing something else.

18 And I think what Craig is going to, I think
19 there might be other macro economic things that are
20 causing price movement in these different segments
21 that are sort of defending from above, as opposed to
22 each other. And what's interesting and what I was
23 sort of shocked to see when I started to get some of
24 the tables out of the staff report, is you see some
25 very steep declines, say, in Buy America segments,

1 that are much steeper than an area where the imports
2 are.

3 And what that tells me, that's almost proof
4 positive, that's the type of thing a respondent's
5 lawyer loves. You come in and say, look, there's
6 something else going on. You always come to these
7 hearings and it's the imports that are blamed for
8 everything. Environmental problems have nothing to do
9 with it. Labor problems have nothing to do with it.
10 Raw material costs, that stuff is always --
11 petitioners are trying to shove that right out the
12 door and they always say, see imports, see imports,
13 and they'll deny everything else.

14 This is a great case to see, to take the
15 microscope out and study an area of the market where
16 imports are invisible, other things were going on:
17 September 11th, the recession, all sorts of things
18 going on. And you can see pricing take a dive in a
19 market where we just weren't near it. And I think
20 that's proof positive that one, in general, it's not
21 always the imports and, here, it's a classic case
22 where you have perfect segments where you can see
23 that.

24 And I didn't see the Petitioners submit any
25 evidence, other than to sort of state it here, that

1 there is a bleeding between the different markets,
2 that you have influences between the markets. And you
3 have one customer calling up and saying, you know
4 what, I talked to so and so down the street last week,
5 he's a pretension guy, but he told me he's getting the
6 prices for this, or he's a pretension Buy America guy,
7 he's getting pc strand from you for this, so even
8 though I'm the post-tension guy, I want it for a lower
9 price. You don't hear them saying that.

10 MR. TOTARO: Excuse me, Vice Chairman, if I
11 could just throw in, as well, another factor that may
12 be affecting pc strand across the board, regardless of
13 the end use application. They're all using wire rod
14 and it sounds like the same type of wire rod. And so
15 if prices are changing for wire rod, they're going to
16 affect, I would expect, the products across the board.

17 VICE CHAIRMAN HILLMAN: Okay. I appreciate
18 that. I guess, I just want to make sure I understood
19 your responses, in part, to Commissioner Pearson's
20 questions, with respect to where your product gets
21 sold. I mean, you indicated that you sell only into
22 Texas.

23 MR. UTZ: That's correct.

24 VICE CHAIRMAN HILLMAN: Okay. Do you know
25 whether any of your products leave Texas? I mean,

1 you've described yourself as selling to post-
2 tensioners that have offices or have work outside of
3 Texas. Do you know whether any of your product leaves
4 Texas?

5 MR. UTZ: I don't know in all cases. But,
6 in discussing with our customers, the price is a big,
7 big issue and I'm certain that the vast majority stays
8 within Texas.

9 VICE CHAIRMAN HILLMAN: Okay. Do you sell
10 to any post-tension firms that have a presence outside
11 Texas?

12 MR. UTZ: We do.

13 VICE CHAIRMAN HILLMAN: Okay. I appreciate
14 those answers.

15 Mr. Lewis or Mr. Stokes, just to make sure I
16 have the record clean on this, where do you stand on
17 the issue of like products? Ms. Ellsworth had said
18 that we should separate the like products into the
19 uncovered product and then the plastic covered
20 product. I'm a little vague where the epoxy coated
21 fits in. But, do you have a view on how the
22 Commission should look at the question of the like
23 product?

24 MR. STOKES: We don't have a position. We
25 think that even if you find one like product, this

1 case is pretty simple.

2 VICE CHAIRMAN HILLMAN: Okay. I appreciate
3 that. I think with that, I have no further questions.
4 Thank you all, very much, for your answers.

5 CHAIRMAN OKUN: Commissioner Miller?

6 COMMISSIONER MILLER: I just want to ask one
7 question of Mr. Utz, which goes along with some of the
8 discussion about the covered product and the producers
9 of the covered product. And you referenced
10 converters, I think, in your discussions. Are you
11 aware of converters that ever buy -- converters that
12 just sell the covered product in the same kind of form
13 that you sell a covered product? Not, in other words,
14 the converter that are the post-tensioners, who cuts
15 it, sizes it for a specific application, ready to go
16 to the job site or whatever, but converters that just
17 buy essentially the strand, the bare strand, coat it
18 the way you do, and sell that product.

19 MR. UTZ: There are a couple of small
20 customers in Texas that do that; but, 90 plus percent,
21 it does not happen. But, there are a couple of small
22 ones.

23 COMMISSIONER MILLER: Okay. I just wanted
24 to make sure. Some of the other questions that I had
25 have been asked by my colleagues, those particularly

1 interested in Commissioner Pearson's question about
2 whether you knew of any -- whether you were selling to
3 post-tensioners that had covering operations and such,
4 that discussion that you had with him. So, I
5 appreciate it. I have no further questions, at this
6 point. Thank you.

7 CHAIRMAN OKUN: Commissioner Koplan?

8 COMMISSIONER KOPLAN: Thank you, Madam
9 Chairman. First, I would just like to ask the
10 question that I asked Mr. Rosenthal this morning, and
11 that is, I know that both sides have spent
12 considerable time in their respective pre-hearing
13 briefs on their threat analysis and now that you all
14 have had an opportunity to see what Petitioners have
15 had to say about threat in their pre-hearing brief, I
16 would appreciate for the post-hearing, any further
17 arguments you might wish to add to your own analysis
18 in your pre-hearing brief.

19 MS. ELLSWORTH: We will do that.

20 COMMISSIONER KOPLAN: Thank you, Ms.
21 Ellsworth.

22 MR. STOKES: We would be happy to do that.

23 COMMISSIONER KOPLAN: Thank you, sir.
24 Petitioners question the reliability of the data
25 provided by the Mexican producers and U.S. importers

1 of the Mexican pc strand, because such data "appear to
2 be understated, when compared to the official import
3 statistics." That's at page 127 of their pre-hearing
4 brief. They, also, state, "Mexican pc strand producer
5 Cablesa has taken initial steps to circumvent any
6 antidumping duty order that may issue by exporting so-
7 called galvanized pc strand to the United States."
8 That's at page 121. Could you respond to that?

9 MS. ELLSWORTH: I believe that's the first
10 reference that you made to the data, referred to the
11 monthly shipments data that were used for purposes of
12 the critical circumstances cite.

13 COMMISSIONER KOPLAN: I believe that's
14 right.

15 MS. ELLSWORTH: Is that correct? And I just
16 point out there that the shipment data that Cablesa
17 provided to the Commission were exactly the same data
18 that they provided to Commerce and that Commerce
19 verified and that it's now used to reach a negative
20 final critical circumstance determination, which was
21 announced today.

22 COMMISSIONER KOPLAN: Thank you.

23 MS. ELLSWORTH: Yes. And I'm sorry --

24 COMMISSIONER KOPLAN: The second part?

25 MS. ELLSWORTH: -- the second issue was as

1 to galvanized.

2 COMMISSIONER KOPLAN: Yes.

3 MS. ELLSWORTH: I'm not able to divulge
4 proprietary information, but I do know that through my
5 own discussions with the U.S. Customs Service, that
6 the only products that would be allowed to enter into
7 the United States without having to be subject to the
8 current restrictions are products that are made of
9 galvanized wire. And so, I'm sure that whatever
10 products that are coming in, they're looking at very
11 closely.

12 COMMISSIONER KOPLAN: Thank you. I
13 appreciate that. Let me come back to a question that
14 I closed with on my first round and that was in
15 relation to channels of distribution of covered versus
16 uncovered pc strand. And I cited the fact that
17 Petitioners provided certain bracketed information
18 with regard to subject imports, alleging
19 misclassification of sales to end users -- or sales to
20 distributors, as opposed to sales to end users. And I
21 believe Mr. Utz said that he had -- the Commerce
22 Department, when they visited with you, Mr. Utz, with
23 regard to this issue, and that you had provided them
24 with information in regard to that. My question is,
25 and I meant to ask, when you did that, did you provide

1 pricing information to them; and if so, was there a
2 differential between the price to distributors and the
3 price to end users?

4 MR. UTZ: We'll answer that in the post-
5 hearing brief.

6 COMMISSIONER KOPLAN: Okay. Thank you.

7 Let me stay with you if I could, Mr. Utz,
8 and I apologize for this. If you covered this for me
9 in my first round you can stop me as I proceed. I
10 don't think you did, but let me raise this.

11 You and your colleagues this afternoon argue
12 that you sell to distributors, end to end users, and
13 that these entities can and are mutually exclusive.
14 What is the difference in price when you do that to
15 the distributor versus an end user? Is that something
16 you want to provide in the post-hearing?

17 MR. UTZ: We'll provide the pricing
18 information in the post-hearing brief. But the
19 difference between a distributor and an end user is a
20 distributor is someone who in this industry buys steel
21 products like PC strand all over the world and imports
22 it to the United States. They work on very thin
23 margins and --

24 Oh, let me try again.

25 The Petitioners have contended that the

1 improvement in their financial circumstances in recent
2 months was due to the filing of the petition. Do you
3 agree with that?

4 MR. TOTARO: This is John Totaro from
5 Harris, Ellsworth & Levin.

6 No. We touched on this in our pre-hearing
7 brief and we can go into it more in the post-hearing
8 brief, but it seems that that's not the case,
9 particularly when the financial situation is viewed in
10 conjunction with the import levels. It doesn't seem
11 to be a one-to-one relationship, that imports slow it
12 down and therefore there was improvement in domestic
13 financial condition. And like I say, I'm a little bit
14 uncomfortable about going too deep into it because
15 we're getting into proprietary information. But the
16 short answer is no, I don't think that's the case.

17 MR. LEWIS: Commissioner Person, Craig
18 Lewis, Hogan & Hartson.

19 I'm also constrained by confidential
20 information, but one thing I would point out,
21 referring you back to I think it was Exhibit 4 from
22 our presentation which shows you the pricing data, I'm
23 sure you can't see from here but the petition was
24 filed approximately at this point here, and it's just
25 unmistakable that prices at a minimum had bottomed out

1 and were already on the rise at least a quarter before
2 the petition was filed. I don't think anything more
3 needs to be said on the subject of this being a price
4 case.

5 MR. STOKES: If I may add, the other benefit
6 that the Commission has is you have full year 2002
7 data and you also have first half 2002 data. If you
8 put it on a spreadsheet and subtract one from the
9 other, you can actually see what happened to them in
10 second half 2002. I don't want to get into a lot of
11 details, but that tells an interesting story,
12 especially if you -- Well, I'll leave it at that. If
13 you subtract the interim first half 2002 data from the
14 full year 2002, you can see some trends that help
15 connect the lines between first half 2002 and second
16 half 2002 and then you have interim first half 2003.
17 You can draw some conclusions from that.

18 COMMISSIONER PEARSON: Mr. Utz, let me ask
19 you, what have you seen in the marketplace then that
20 might have led to an improved performance on the part
21 of domestic producers? I understand you may or may
22 not compete directly with them, but still you're
23 selling PC strand. You probably know something about
24 this.

25 MR. UTZ: The only thing we saw in Texas was

1 the demand increasing. Presumably that affected the
2 price.

3 COMMISSIONER PEARSON: When did that demand
4 increase start?

5 MR. UTZ: Fall of 2002.

6 COMMISSIONER PEARSON: A year ago more or
7 less.

8 Mr. Barlage, any comments?

9 MR. BARLAGE: I agree with that.

10 COMMISSIONER PEARSON: And the demand
11 increase relates primarily to an uptick in
12 construction?

13 MR. BARLAGE: That's our feeling, yes sir.
14 In the Houston area definitely. Housing construction
15 is just very very strong.

16 COMMISSIONER PEARSON: Madame Chairman, I
17 think I'm done. Thanks.

18 CHAIRMAN OKUN: Thank you.

19 Just a few things left for me. One, I guess
20 this would be to counsel, whether you would comment on
21 how much reliance we should place on AUVs in this
22 case. Petitioners have pointed to them as being in
23 this case, the Commission in prior cases has looked to
24 AUVs. It's relevant in this case. I'm looking at
25 these trends. I wondered if you could comment on that

1 at all.

2 MR. STOKES: There are some aspects where
3 the AUVs, I can say without reservation, are very
4 helpful. For example this morning there was some
5 debate about the price distinctions between Buy
6 America segments and the non Buy America segments. The
7 way you have the data broken out now, at least on the
8 AUV level, and now I'm talking about U.S. shipments
9 where you can take their total shipments in a
10 particular segment, their total value, total volume,
11 and calculate AUVs for them and you can quantify very
12 nicely the premium they're getting in the Buy America
13 markets.

14 The reason why we think that might be
15 interesting is because their pricing data, their
16 product one pricing data is a melange of both Buy
17 America data and non Buy America data. So if you ever
18 want to normalize that or somehow or another back out
19 the Buy America contamination, let's say, of that
20 pricing data you can do that with the AUVs. You know
21 the relative proportion of Buy America sales that are
22 in there and you know the relative price premium that
23 Buy America -- You can ask them directly as well, but
24 I'm just pointing out that we've thought about the
25 utility of the AUVs in that respect.

1 CHAIRMAN OKUN: Ms. Ellsworth, any comment
2 on AUVs?

3 MS. ELLSWORTH: I would echo those comments.
4 I think as a general matter they can be quite
5 instructive in this case. I think they do help to
6 highlight some of the differences in the various
7 markets or segments of markets that we've been talking
8 about and allow us to at least talk about them in a
9 tangible way.

10 CHAIRMAN OKUN: This is probably best done
11 for post-hearing, but one of the arguments made by
12 Petitioners is that the AUVs for some of the subject
13 countries, and at this point I don't have my hands on
14 it so I don't know what's public and what's not so I
15 won't say, but for some of the subject countries AUVs
16 indicate very low prices which don't seem to match up
17 with the pricing data they submitted, and I'm not sure
18 you would be in a position to comment, but given what
19 you said about AUVs, maybe you could at least comment
20 on that portion of it, how we should evaluate those
21 arguments by Petitioners.

22 MR. STOKES: We'd be happy to do so.

23 CHAIRMAN OKUN: Ms. Ellsworth, will you do
24 that as well?

25 MS. ELLSWORTH: Yes, we will.

1 CHAIRMAN OKUN: Okay.

2 Let me just go back, Mr. Stokes and Mr.
3 Lewis, I guess where I was at the end of my last round
4 which is maybe the view from 30,000 feet up instead of
5 the view of a market step, I guess pick up on Mr.
6 Rosenthal's opening and his comments this morning
7 which is if you take this chart they showed this
8 morning and look at subject import market share and
9 what happened to domestic import market share and you
10 look at what came into the market and what went out,
11 what's going on -- Even if you take as a condition of
12 competition Buy America is this protected part of the
13 market. But the rest of the market is showing erosion
14 for the domestic, and that that's translated into
15 erosion in their financial condition.

16 So if I'm looking at it that way, what's the
17 argument from Respondent's side?

18 MR. LEWIS: Craig Lewis, Hogan & Hartson.

19 I think one answer to that can be found in
20 our segments analysis that's in our brief which is to
21 say that there really is no evidence here that the
22 increase in the, or I should say it the other way
23 around. The decrease in the volume on the part of the
24 domestic industry and the market segment in which
25 there was competition with imports has much to do with

1 the financial results of the domestic producers in
2 that period.

3 It's too small of a volume effect for that
4 to be the case, which just brings me back to my same
5 point again. We can look at the volume charts, the 50
6 up, 50 down theory that's been presented here. Again,
7 it's not a volume case. The causation issue here is
8 did the subject imports, in my view anyway, did the
9 subject imports force prices down in this industry?
10 Our response is, this is where volume does come into
11 it, is that plausible in the sliver of the market
12 where competition occurred? And given the backdrop of
13 the overselling data that's in front of the
14 Commission, how can you possibly reach that conclusion
15 on that record?

16 Petitioners question that pricing data and
17 we'll see whether there's something to that. I don't
18 believe there is. If the data remains as it is I
19 think it's an open and shut case.

20 CHAIRMAN OKUN: Ms. Ellsworth, any comments
21 on that?

22 MS. ELLSWORTH: No, I have no further
23 comments on it.

24 CHAIRMAN OKUN: I guess my last question,
25 and I just wanted to go back and you can do it for

1 post-hearing. One of the arguments that I've heard
2 you make about what else is going on in the market,
3 and I think Mr. Stokes you were talking about it in
4 response to a number of questions which was if you're
5 looking at 9/11 or what was going on in the
6 construction market, and one of the things that I see
7 if I'm looking at pre-tension is that you had overall
8 consumption and consumption for pre-tension
9 applications which declined most between 2000 and 2001
10 but then seemed to stabilize around 2002.

11 On the other hand you have domestic sales
12 volumes and prices which continue to decline in 2002
13 when arguably the only thing going on there is the
14 presence of subject imports. So for purposes of post-
15 hearing, you're welcome to comment on it now, but for
16 purposes of post-hearing if you would look at that
17 particular data and comment on it.

18 MR. STOKES: Chris Stokes.

19 To be honest, we haven't spent a lot of time
20 trying to figure out what happened in pre-tension,
21 most because we don't sell there. What's interesting
22 to us is that's their main market, and anything that
23 happened to them there what we think is relevant from
24 the standpoint of causation. The significance is how
25 did that affect their bottom line? That's what allows

1 us to do this.

2 But --

3 CHAIRMAN OKUN: Would you make the same
4 argument if in fact they send the information they
5 submit post-hearing on what they described as the
6 linkage I would say between what was going on with
7 regard to prices? That there was linkage between what
8 was happening in post-tension, what was happening in
9 pre-tension?

10 MR. STOKES: In my view that opens up a
11 whole new chapter that we didn't see in the petition,
12 we didn't see in the prelim, we didn't see in their
13 pre-hearing brief, and we really haven't seen any
14 evidence of that up until now. They've sort of
15 claimed it.

16 If they start putting in stuff in their
17 post-hearing brief along those lines then I think
18 we'll be relegated to the position where we have to
19 look at it, evaluate it, and respond to it on that
20 last day right before your vote which I think is an
21 unfortunate procedural result.

22 But until they put something, based on my
23 discussions with people in the industry, I get a sense
24 that's a bullet-proof defense, that we're not
25 vulnerable there. I'm not worried about that. If

1 they do proffer something then we'll have to deal
2 with it at that time.

3 CHAIRMAN OKUN: Okay.

4 I think with that I've completed my
5 questions. I want to thank you for all those answers.

6 Let me turn to any of my colleagues who have
7 questions.

8 Seeing no questions from my colleagues, let
9 me turn to staff to see if staff has questions for
10 this panel.

11 MR. DEYMAN: I'm George Deyman, Office of
12 Investigations.

13 I just have one question. In the pre-
14 hearing report the staff chose to use import data on
15 subject imports from our questionnaire responses in
16 stead of import data from official statistics. Do you
17 have any observations or preferences as to which data
18 we should use in the final staff report and why?

19 MS. ELLSWORTH: With respect to Mexico we
20 have a very strong preference that you use the actual
21 data that were submitted in response to the
22 questionnaires. We detected that there was some
23 misclassification of merchandise into classifications
24 other than PC strand during the course of the POI that
25 would make the official data unusable for this

1 purpose.

2 Thank you.

3 MR. STOKES: We'd like to defer our response
4 to that to our post-hearing brief.

5 MR. DEYMAN: That would be fine, but if you
6 make a decision before your brief is completed if you
7 could let the staff know, because if we have to start
8 changing numbers in the report we'd like to know as
9 early as possible.

10 MR. STOKES: Understood. We'll address this
11 even before we start drafting our post-hearing brief.

12 MR. DEYMAN: Thank you.

13 The staff has no further questions.

14 CHAIRMAN OKUN: Thank you, Mr. Deyman.

15 Mr. Rosenthal, do you have questions for
16 this for the staff? (Laughter) For the panel?

17 MR. ROSENTHAL: Actually, both. Two quick
18 questions.

19 For Mr. Lewis, I believe you stated that the
20 domestic industry sells to only small post-tension
21 customers and not large customers, am I characterizing
22 your testimony correctly?

23 MR. LEWIS: No. If I said that I misspoke.

24 MR. ROSENTHAL: So you acknowledge that the
25 Petitioner sells to large post-tensioner customers as

1 well as small?

2 MR. LEWIS: Yes.

3 MR. ROSENTHAL: Thank you.

4 Mr. Utz, in talking about your knowledge of
5 the plant that is being built in Texas, I believe you
6 said the information about it and the plans were
7 proprietary. Did I hear you offer to submit
8 information on that in the post-hearing brief for
9 comment?

10 MR. UTZ: No, you didn't.

11 MR. ROSENTHAL: Would you? Acknowledging
12 that we're asking for it under APO.

13 MR. TOTARO: To the extent the information
14 is relevant to this investigation of material injury
15 or threat of material injury, we will discuss it. To
16 the extent that it's not relevant to the present
17 proceeding we see no need to discuss it in a post-
18 hearing brief.

19 MR. ROSENTHAL: Commissioner Pearson asked
20 about it on several occasions and Mr. Utz seemed happy
21 to respond and make a blanket statement. All I'm
22 asking for is documentation of his statement if he's
23 willing to provide it. IF not, so be it.

24 MR. TOTARO: I'd just reiterate what I said.
25 I don't think that's exactly what Mr. Utz said and I

1 will not characterize what Commissioner Pearson asked
2 for.

3 MR. ROSENTHAL: No further questions.

4 CHAIRMAN OKUN: Commissioner Pearson, do you
5 want to ask for any further information?

6 COMMISSIONER PEARSON: No. I would just
7 clarify that I don't recall asking for anything in the
8 post-hearing brief. It wasn't clear to me that it
9 would be relevant to the decision that we need to
10 make.

11 CHAIRMAN OKUN: Thank you.

12 MR. HARRIS: That was not Mr. Lincoln
13 speaking I don't believe.

14 May I say, Madame Chairman, if I may, I have
15 been before this Commission in various iterations over
16 the years. I have, if I may indicate, never seen a
17 Commission that so thoroughly investigated and
18 questioned and stayed with it in unison. At this
19 stage I would just like to compliment the Commission
20 and say how impressive it is to see intelligent, well-
21 educated people handle a hearing in this manner.

22 CHAIRMAN OKUN: Thank you, Mr. Harris, for
23 those comments, and let me thank all the witnesses for
24 being here today, for your participation, for all the
25 answers you've given us. We very much appreciate it.

1 Let me go over the time remaining and then
2 we can take a minute to let these witnesses go back to
3 their seats.

4 The Petitioners, Mr. Secretary, I believe
5 have a total of ten minutes remaining which includes
6 five minutes for closing?

7 MR. BISHOP: That is correct.

8 CHAIRMAN OKUN: And the Respondents have a
9 total of 17 minutes remaining which includes their
10 five minutes for closing.

11 With that, let's take a moment to change
12 around here.

13 (Whereupon, a brief recess was taken)

14 CHAIRMAN OKUN: Mr. Rosenthal, are you
15 prepared? Wrong question. Are you prepared to be
16 brief?

17 (Laughter)

18 Mr. Lincoln.

19 MR. ROSENTHAL: I hesitate to allow you to
20 answer either of those questions for me.

21 Although I have to say that Mr. Lewis seemed
22 happy enough to characterize our case as only a price
23 case and not a volume case, I'd like to correct the
24 record for him and for us. This is both a volume and
25 a price case.

1 If you just take a look at the volume issues
2 as Chairman Okun noted, there's a steep decline in the
3 domestic producers' shipments and a steep increase in
4 the import share one for one, as we pointed out
5 before. That 49 million pounds of product lost to
6 imports in the period of investigation was worth \$13
7 million. That \$13 million is more than the difference
8 between the profits and the losses that this industry
9 has suffered. As you heard there was a \$6 million
10 loss in the least year of 2002.

11 There are a number of corrections to the
12 record that we need to make. First of all, I think
13 there was testimony by Mr. Utz saying that one of the
14 reasons why they sold covered strand to post-
15 tensioners who had strand covering capability was
16 because of capacity issues. Nothing could be further
17 from the truth.

18 I urge you to contact those customers and
19 find out if there was ever a capacity issue there.

20 I also have to comment, this is the first
21 time anyone in our industry has ever heard of the
22 notion that there's a different strength of PC strand
23 being required in the post-tension market. This is
24 simply not true.

25 There is also reference to variance analysis

1 that needs to be corrected today. The vast majority
2 of the industry's increase in operating income, and
3 that number is APO so I can't tell it, but the vast
4 majority of the industry's decrease in operating
5 income is due to decreased prices and lower volume
6 sales. The lower price and lower sales volumes were
7 both a result of unfair imports.

8 The remaining percentage of the decreased
9 income was due to the factory overhead and G&A
10 expenses, and most of that increase in G&A was due to
11 Sumiden's closure of Victorville, also due to imports.

12 The Respondents acknowledge that Texas is
13 huge, probably the largest consumer of PC strand for
14 post-tensioning purposes and they also acknowledge
15 that there is no distinct product differentiation
16 allowing for sales of post-tensioning product in that
17 market. Why then did the only PC strand producer
18 located in Texas, American Spring Wire, who testified
19 only a couple of blocks away from one of the biggest
20 post-tensioners had zero post-tension sales during the
21 period of investigation? And by the way, why do they
22 have sales now to that very post-tensioner customer?
23 The only answer is imports.

24 I was happy to have Mr. Barlage acknowledge
25 that Brazil has sold to pre-tension customers on the

1 East Coast, and I urge you not, not to buy this notion
2 that has been repeated consistently by Mr. Stokes and
3 others that the pre-tension market equals the Buy
4 America market, and that somehow all pre-tension is
5 Buy America and off limits to the imports.

6 That's not the case. We have examples of
7 lost sales to pre-tensioners in the petition in this
8 case. The notion that somehow Mr. Stokes will be
9 disadvantaged if he hears for the first time that
10 there's some impact on the pre-tension market by
11 imports is ludicrous. He knows that there are pricing
12 issues there. He knows there have been lost sales,
13 and he's known that since the beginning of this case.

14 The Respondents have acknowledged that they
15 sell to the same customers that we do, the post-
16 tensioners, and I was happy that Mr. Lewis
17 acknowledged that we sell and they sell to large
18 customers in the post-tension market.

19 Can I have a time check please?

20 MR. ROSENTHAL: Okay, let me go to the
21 closing.

22 It's important for the Commission to
23 recognize that what you're supposed to be doing here
24 and the statute requires undeniably is an analysis of
25 the industry as a whole. In this case there can't be

1 a filing of a segmented market because subject imports
2 and domestic producers compete throughout the market,
3 selling to both post-tensioners and pre-tensioners.

4 While the effects of imports have been most
5 pronounced on post-tensioners, imports have adversely
6 affected pre-tensioners as well.

7 The main effects have been with respect to
8 declining prices and lost revenues, but as mentioned,
9 there have been lost sales. We've documented those
10 and we'll provide more information in the post-hearing
11 brief. We're also going to provide more information
12 on this so-called ripple effect that has been
13 requested by Commissioner Koplan and others.

14 I want everyone to repeat after me. Pre-
15 tension customers are not synonymous with Buy America.
16 Even the statistics used by the Commissioners earlier,
17 which we didn't agree with because it included not
18 just Buy America restrictions but preferences, said
19 that pre-tension only had Buy America up to about 48
20 or 49 percent. The rest of the pre-tension market is
21 totally open to imports. Imports have made in-roads
22 there. And imports are constantly quoting prices to
23 customers in that market and we'll supply more details
24 there.

25 As we discussed and acknowledged by the

1 Respondents, subject imports have simply focused most
2 of their selling efforts on the larger customers.
3 That's not exclusively, though, and they certainly
4 have the option to go into the pre-tension market
5 which they've taken advantage of.

6 I'll say that the most direct evidence of
7 competition in the pre-tension market by imports is
8 the fact that while we lost sales to importers prior
9 to this case being brought, we've now regained some of
10 them and we provided that information before.

11 Even assuming for argument's sake that
12 imports only affected the post-tension customers,
13 those customers still represent 40 percent of the
14 market.

15 The domestic industry used to have 54
16 percent of the post-tension customer base and now it's
17 down to 39 percent. As mentioned, the industry's lost
18 close to 50 million pound to post-tensioners and
19 prices have continued to spiral downward. The lost
20 volume to post-tensioners alone, as I said, is enough
21 to require a finding of material injury in this case.

22 Ms. Beck went through all of these negative
23 indicators that are on the record. They're
24 undisputed.

25 The record shows significant underselling by

1 subject imports, price suppression and depression,
2 lost sales and revenues, and operating profits
3 declining to operating losses over the period of
4 investigation.

5 You have to ask yourself this question. If
6 this is a commodity product, and it is, who gains
7 market share when there is a commodity product? The
8 producer, the seller with the lowest price product.

9 In this case who gained the market share?
10 The subject imports.

11 The Commission also ought to ask itself the
12 following questions. Are all these indicia of injury
13 unrelated to subject imports? Other than 9/11, and
14 perhaps some gravitational effect of the moon on the
15 tides, I haven't heard a good response by the
16 Respondents as to why all these bad things happened to
17 this industry. The only reason is imports.

18 You're supposed to look at imports and
19 whether they're significant. Is a 22 percent market
20 share significant? Especially when you've got the Buy
21 America walled off by 30, so they've got 22 percent of
22 the overall market including the Buy America segment.

23 Is a seven percent increase enough over this
24 period of investigation of market share? Is the
25 corresponding decline in domestic producers' market

1 share combined with numerous instances of lost sales
2 and revenues enough to demonstrate causation?

3 I think so. I hope the Commission thinks
4 so.

5 The declining prices and profits suffered by
6 the domestic industry are not caused by surging
7 subject imports at ever-lower prices. What effect did
8 the surge in imports have on the domestic industry?

9 The Respondents would have you believe that
10 the answer to this last question is none. They
11 scratch their collective heads here saying that's up
12 to you to decide.

13 Well I suggest to you that if they say none,
14 you should not believe them. That answer defies
15 credulity.

16 In fact the only thing that explains the
17 condition of the industry over the period of
18 investigation is the increased volume and low prices
19 of subject imports. Only one conclusion can be
20 reached given the facts on this record. Subject
21 imports have caused material injury to the domestic
22 industry and threatened further material injury.

23 Thank you for your time. I trust,
24 Commissioner Miller, that we've answered all of your
25 questions and that I now may leave.

1 Thank you.

2 CHAIRMAN OKUN: I won't ask Commissioner
3 Miller to respond to that, but I will thank you, Mr.
4 Rosenthal.

5 We will now hear from Ms. Ellsworth and Mr.
6 Stokes.

7 MR. TOTARO: Good afternoon. With the
8 Commission's indulgence if my colleague and I may
9 split our portion of the closing.

10 Oh, I'm sorry.

11 MR. STOKES: I thought you guys wanted last
12 lick.

13 (Laughter)

14 MR. STOKES: Chris Stokes for the record.

15 With these closing comments let me try and
16 look back on where this all started and where this
17 journey has taken us.

18 If we go back to the first day when the
19 Petitioners filed their petition, I think you can
20 scour that petition from beginning to end and you
21 won't see any discussion in there about segmentation.
22 You won't see any discussion in there about Buy
23 America. It was really only at the staff conference,
24 the preliminary phase of this investigation, that the
25 Petitioners' house of cards started to fall apart when

1 the staff started asking them questions about these
2 different market segments.

3 They didn't get a chance to ask them in the
4 questionnaire because they didn't have any notice of
5 this. But they asked a critical question I think at
6 that stage that was the beginning of what I thought
7 led to where we are now. They asked them to break out
8 their sales by in between pre- and post-Buy America
9 and non Buy America. There was no objection. They
10 didn't say they couldn't do it, it was easy. It's
11 still easy.

12 That began the investigative process where
13 eventually when the final, the questionnaires came out
14 in the final investigation the level of the resources
15 you started to dedicate to this issue were multiplied
16 by ten-fold. We started to get pricing in different
17 areas, we started to get data broken out in a lot of
18 different ways and that's really been the Respondent's
19 position all along. We want to get all the
20 information in front of you and let you get back to
21 the statute and try and decide what is significant.

22 I think what you need to recognize, it's a
23 very different instinct than where they've been trying
24 to lead you from the beginning. They've basically
25 been saying just total up the numbers, go down to the

1 bottom line of the spreadsheet and look at the things
2 at an aggregate level. We're encouraged that the
3 staff and the Commission took this seriously and used
4 the full weight and force of the ITC to get all the
5 information it needs in front of it to evaluate this
6 industry and apply the statutory criteria.

7 What we find is helpful is now that you have
8 the data in front of you and you can analyze what's
9 gone on in the different industries, where imports
10 exist, or where they participate meaningfully and
11 where they don't participate meaningfully, what the
12 price trends are in areas where imports are invisible,
13 what the price trends are where imports exist. You
14 can draw some very very sophisticated conclusions, and
15 we think that's exactly where you need to be. We
16 could not be more pleased that you now have a record
17 that allows you to do that.

18 What we're encouraged by as well, or what I
19 guess should be no surprise to any of us, is that now
20 that you do have this data more and more came out in
21 the, it started in the preliminary phase and then it
22 continued until this morning, there is growing
23 inconsistencies between the Petitioners' theory of the
24 case and the data that's been developed by you and
25 that you have in front of you. Let me just give you a

1 few examples. Their defiance of this is astounding.
2 It continued through this morning.

3 I think, we'll see the transcript, but I
4 think I wrote some of these quotes down correctly.

5 One of the witnesses this morning said
6 there's no truth to the claim that "imports are
7 concentrated in the post-tension market." It just
8 astounds us that they still are saying that. You all
9 have wonderful tables that show exactly the amounts of
10 imports in the pre-tension market, imports in the
11 post-tension market. They can say that here 100 times
12 and they can write it, make it the heading of every
13 single section in their brief, but it's not ever going
14 to undermine the numbers that you now have in front of
15 you where you can see how much the imports concentrate
16 on the pre-tension market and how much they
17 concentrate on the post-tension market.

18 Along those lines I think I heard somebody
19 say this morning that imports expanded their market
20 share in the pre-tension market. The numbers, I think
21 Craig showed us the graph. The imports in the pre-
22 tension market are, you might not even be able to see
23 this from here, but it's a sliver. We can't talk
24 about subject imports, all we can talk about is
25 imports in general. The fact that they're still

1 sitting here trying to push the argument that imports
2 have been a problem for them in the pre-tension market
3 I think shows again a large inconsistency between the
4 information you have and what one of their positions
5 is.

6 They say that, they've continued to affirm
7 or allege that imports have undersold them and that if
8 the data does not confirm that the data must be wrong.

9 The Commission, one thing they do in the
10 final which is wonderful, is they collect data from a
11 couple of different places. You have data from the
12 domestic producers, you have data from the importers,
13 and you also have just as a backup to confirm the
14 data, you have data from the purchasers. All three of
15 those show that what they're claiming is not true.
16 There's not pervasive underselling by the imports. To
17 the contrary.

18 They consistently tell you that when you're
19 thinking about market segmentation you've got to look
20 at the product. It kind of reminds me of something a
21 philosophy professor told me in college. It's kind of
22 like the master who's pointing his finger to the dog
23 to try to get the dog look across the field and the
24 dog just keeps looking at the finger. We're not
25 arguing that the product itself is different. That

1 the bare strand sold to the pre-tensioners and the
2 post-tensioners are different.

3 We're arguing that there's different subsets
4 of customers. They don't talk to each other. The
5 pricing is different. The business conditions affect
6 them differently. So if they get you to focus on the
7 product they're getting you to focus in the wrong
8 place. They're getting you to focus on the finger.
9 We're trying to get you to focus on the competitive
10 dynamics of what happens when sales are made to these
11 two different groups.

12 I think it was Mr. Kerwin or Mr. Rosenthal
13 said this morning that changes in Buy America sales
14 had nothing to do with their plate over the period of
15 investigation, and we saw some great power point
16 presentations from Mr. Kerwin about the volume, the
17 volume in Buy America stayed the same.

18 It's interesting, he never said anything
19 about pricing. Your table takes about a second to
20 figure out that pricing for some reason, and we don't
21 know why this happened because we don't sell there,
22 but for some reason pricing in Buy America went down.
23 The governments are having financial difficulties,
24 there's budget deficits all over the place. We don't
25 know what's going on in the Buy America market. All

1 we know is that prices went down pretty significantly
2 and we were miles away from that.

3 So it was really interesting how they told
4 you Buy American is not our problem, but they never
5 talked about prices.

6 The segment on impact analysis that we did
7 in our brief starts to put its arms around the effects
8 of price declines in Buy America on their bottom line
9 and we think that's very worth looking at.

10 Commissioner Pearson, the point you raised
11 about the investments, we think you're right. We
12 think timing is everything, and we think these guys --
13 this has nothing to do with imports, but they made an
14 awful decision. They decided to expand at the worst
15 time possible. They had a wonderful, I think Mr.
16 Woltz from Insteel said the last time they had a
17 downturn in the market like this was sometime in the
18 early, early '80s.

19 So you have to think that they made some of
20 these investment decisions having no idea that what
21 was going to economy did happen to the economy. But
22 when you're looking for causation and you're looking
23 for effects, you can't blame imports for those
24 decisions.

25 The other thing that's difficult to

1 reconcile is some of us were here during the Section
2 201 investigation, and the PC strand team submitted a
3 brief in the PC strand case on the basket of products
4 that PC strand was in, but interestingly in their
5 brief they broke out PC strand separately and said we
6 want to talk about PC strand alone. They said some
7 things in that brief -- this is going back to mid
8 2001, about what was going on in the PC strand market,
9 that don't really reconcile with what they're telling
10 you now. We got the impression that everything was
11 wonderful for them up until 2000 and then everything
12 dropped off the cliff.

13 What they said in the Section 201 case was a
14 little bit different than that. Again, another
15 inconsistency.

16 My last point will be about the Buy America
17 point, just to be clear for the record. If I said
18 something or if I was not precise in saying -- There's
19 no part of us that is trying to imply that the Buy
20 America segment is equal to pre-tension. It's quite
21 the contrary. We've asked you all to prepare these
22 tables. These tables break it out by columns and
23 numbers. You can see exactly what part of the Buy
24 America segment is within pre-tension. It's certainly
25 not all of it. We know that. All we're saying is

1 that in both parts, Buy America and unrestricted,
2 we're pretty much invisible.

3 My last point is that this case is about
4 significance. I think now that you have the data in
5 front of you, we want you to look at it, figure out
6 where the imports have competed, where they've lost
7 money, where their operating performance was hurt, and
8 try and figure out if the small sliver where we were
9 present and the activity that occurred there and the
10 pricing data you have, we could have been a
11 significant cause of material injury to them.

12 Thank you very much.

13 MR. TOTARO: I want to make a couple of
14 quick rebuttal points.

15 Mr. Woltz started out this morning saying
16 that there's absolutely no truth to the Respondents'
17 claim on market segmentation which I don't believe
18 anybody can look at the data and say there is no
19 market segmentation here.

20 On that point, I believe it was Ms. Cannon
21 who said this morning that market segmentation doesn't
22 apply. That the statute requires an evaluation of the
23 domestic industry as a whole. However, market
24 segmentation is a primary indicator of attenuated
25 competition which is a concept with which the

1 Commission is very familiar and which the Commission
2 has found to strongly militate against an injury
3 finding in prior investigations. We believe the same
4 holds true here.

5 Notably there's no dispute by the
6 Petitioners that there is no competition between the
7 Mexican imports and the domestic products in 49 of the
8 50 states of the United States.

9 Petitioners presented an economic table,
10 Exhibit 1 I believe, that shows declining domestic
11 shipments to the pre-tension market while the
12 relatively negligible level of imports remains steady.

13 To me, I look at that table. I conclude that
14 there's no displacement in the market that accounts
15 for a very substantial majority of the domestic
16 producers' shipments.

17 The statement was made this morning that
18 there was an unexpected increase in imports from
19 Mexico during the period of investigation. I think
20 the fact that we're operating in a NAFTA environment
21 shouldn't make increased imports from Mexico
22 unexpected. As I understand it, that was sort of the
23 point of NAFTA to a large extent.

24 There was a statement that the Highway Act
25 is not going to add all that much to the domestic

1 industry's fortunes. We'll introduce some data on
2 SAFETEA, the authorization act through fiscal year
3 2009. I think it will turn out as good news for the
4 Petitioners.

5 With that I'll pass over to my colleague Ms.
6 Ellsworth.

7 MS. ELLSWORTH: Thank you.

8 I thank you for your very careful attention
9 to our testimony today. The witnesses that you've
10 heard and the extensive record that has been compiled
11 demonstrate that the Commission must issue a negative
12 determination at least with respect to imports from
13 Mexico.

14 The Petitioners did not even produce the
15 first like product, covered PC strands. The Mexican
16 producers have cultivated a niche market providing
17 post-tensioners with on-site availability of covered
18 PC strand while the domestic industry has deliberately
19 chosen not to produce that product. The industry that
20 does make covered PC strand, that is the converters
21 and post-tensioners that coat bare PC strand with
22 grease and cover it with plastic have not petitioned
23 for relief from subject imports and are not here today
24 to support the Petitioners' claims.

25 In his closing, Mr. Rosenthal encouraged the

1 Commission to contact customers to determine if they
2 had capacity constraints. I note that the Commission
3 did send questionnaires to these post-tensioners, but
4 only a fraction of them bothered to respond.

5 The second like product, uncovered PC
6 strand, is sold to two separate markets. The pre-
7 tensioning market and the post-tensioning market. In
8 2002 the domestic producers shipped 80 percent of
9 their PC strand to the pre-tensions market where the
10 prevalence of Buy America restrictions reduces
11 competition resulting in higher prices and presumably
12 higher returns for those who can participate.

13 In contrast, most subject imports and
14 virtually all imports from Mexico have been relegated
15 to the less lucrative post-tensioning market. To the
16 extent that there are imports of uncovered PC strand
17 from Mexico they are dwarfed by both domestic
18 producers' production and other subject imports.

19 Contraction in demand for public works
20 projects which are typically pre-tensioned
21 applications subject to Buy American restrictions has
22 coincided with expansion in demand for residential
23 housing, a post-tension application. In other words,
24 as the market reserve for domestic producers has
25 contracted, the market served by imports has expanded.

1 These market dynamics have led domestic producers to
2 try to compensate for lower demand in their preferred
3 markets by increasing their sales to the post-
4 tensioning market which they're previously viewed as a
5 secondary sales outlet.

6 The contraction of their traditional markets
7 has led to any problems that the domestic producers
8 have experienced, not the modest quantity of uncovered
9 PC strand imported from Mexico.

10 Thank you.

11 CHAIRMAN OKUN: Thank you.

12 Post-hearing briefs, statements responsive
13 to questions, and requests for the Commission,
14 corrections to the transcript must be filed by
15 December 9, 2003.

16 The closing of the record and final release
17 of data to parties is December 26, 2003.

18 Final comments are due December 30, 2003.

19 If there's no other business to come before
20 the Commission this hearing is adjourned.

21 (Whereupon, at 4:55 p.m. the hearing was
22 adjourned.)

23 //

24 //

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Prestressed Concrete Steel Wire
Strand from Brazil, India, Korea,
Mexico, and Thailand

INVESTIGATION NO.: 701-TA-432 & 731-TA-1024-1028(
(Final)

HEARING DATE: December 2, 2003

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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

DATE: 12/2/03

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

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

SIGNED: Carlos Gamez
Signature of Proofreader

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

SIGNED: Mason Edwards
Signature of Court Reporter