

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
CARBON AND CERTAIN ALLOY STEEL WIRE ) 701-TA-573-574 and  
ROD FROM BELARUS, ITALY, KOREA, RUSSIA, ) 731-TA-1349-1358  
SOUTH AFRICA, SPAIN, TURKEY, UKRAINE, ) (PRELIMINARY)  
THE UNITED ARAB EMIRATES, AND THE )  
UNITED KINGDOM )

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Date: Tuesday, April 18, 2017



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
CARBON AND CERTAIN ALLOY STEEL WIRE ) 701-TA-573-574 AND  
ROD FROM BELARUS, ITALY, KOREA, ) 731-TA-1349-1358  
RUSSIA, SOUTH AFRICA, SPAIN, TURKEY, ) (PRELIMINARY)  
UKRAINE, THE UNITED ARAB EMIRATES, )  
AND THE UNITED KINGDOM )

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Tuesday, April 18, 2017

The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Michael Anderson, Director  
of Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 William Bishop, Supervisory Hearings and  
4 Information Officer

5 Sharon Bellamy, Records Management Specialist

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7 Michael Anderson, Director of Investigations

8 Fred Ruggles, Supervisory Investigator

9 Michael Szustakowski, Investigator

10 Gregory LaRocca, International Trade Analyst

11 Andrew Knipe, International Economist

12 Joanna Lo, Accountant/Auditor

13 Nataline Viray-Fung, Attorney/Advisor

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1 Opening Remarks:

2 Respondents (Matthew M. Nolan, Arent Fox LLP)

3 Petitioner (Alan H. Price, Wiley Rein LLP)

4

5 In Opposition to the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Vorys, Sater, Seymour and Pease LLP

8 Washington, DC

9 on behalf of

10 The American Wire Producers Associations ("AWPA")

11 Kimberly A. Korbel, Executive Director, AWPA

12 John T. Johnson, Jr., President, Mid South Wire Company

13 and President, AWPA

14 Christian Stauffer, Vice President for Sourcing and

15 Logistics, Insteel Industries Inc.

16 Robert Moffitt, Vice President, Purchasing Heico Wire

17 Group

18 Terry Hughes, Director of Purchasing for North America,

19 Bekaert Corporation

20 Andrea Ramirez, Regional Counsel - Americas, Group Legal

21 U.S., Bekaert Corporation

22 Frederick P. Waite and Kimberly R. Young - Of Counsel

23

24

25

1 Crowell & Moring, LLP

2 Washington, DC

3 on behalf of

4 Ferriere Nord S.p.A.

5 Daniel Cannistra - Of Counsel

6

7 White & Case LLP

8 Washington, DC

9 on behalf of

10 CELSA Group

11 Global Steel Wire S.A.

12 CELSA Atlantic SA

13 Compania Espanola de Laminacion

14 David E. Bond and Ting-Ting Kao - Of Counsel

15

16 Mowry & Grimson, PLLC

17 Washington, DC

18 on behalf of

19 ArcelorMittal South Africa

20 Kristin Mowry - Of Counsel

21

22

23

24

25

1 Hogan Lovells US LLP

2 Washington, DC

3 on behalf of

4 Public Joint Stock Company Yenakiieve Iron and Steel Works

5 Metinvest International S.A.

6 Craig Lewis - Of Counsel

7

8 Trade Pacific PLLC

9 Washington, DC

10 on behalf

11 POSCO

12 Young Keun Hwang, President, POSCO America

13 Alabama Processing Center

14 John Ryoo, Sales Manager, POSCO America Corporation

15 Jarrod M. Goldfeder - Of Counsel

16

17 Morris Manning & Martin LLP

18 Washington, DC

19 on behalf of

20 Kiswire America

21 David Minnick, CEO, Kiswire America

22 David Vanderkaay, Technical Service Manager, Kiswire

23 America

24 Wan Kim, Advisor for Kiswire America

25 Donald B. Cameron and Julie Mendoza - Of Counsel

1 Steptoe & Johnson

2 Washington, DC

3 on behalf of

4 British Steel Limited

5 Richard O. Cunningham and Thomas J. Trendl - Of Counsel

6

7

8 Arent Fox

9 Washington, DC

10 on behalf of

11 Icdas Celik Enerji Tersane ve Ulasim Sanayi A.S. ("Icdas")

12 The Istanbul Minerals and Metals Exports Association

13 ("IMMIB")

14 The Turkish Steel Exporters' Association (Celik

15 Ihracatcilari Birligi ("CIB") and its members

16 Matthew M. Nolan - Of Counsel

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1 In Support of the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3 Kelley Drye & Warren LLP

4 Washington, DC

5 on behalf of

6 Gerdau Ameristeel US Inc.

7 Keystone Consolidated Industries, Inc.

8 Charter Steel

9 Chris Armstrong, Chief Executive Officer, Keystone

10 Consolidated Industries, Inc.

11 Marcelo Canosa, Director of Marketing, Gerdau Long Steel

12 North America

13 Stephen Ashby, Vice President, Sales, Keystone Steel &

14 Wire

15 Roxanne Brown, Assistant Legislative Director, United

16 Steelworkers

17 W. Bradley Hudgens, Economic Consultant, Georgetown

18 Economic Services

19 Paul C. Rosenthal, Kathleen W. Cannon, R. Alan Luberda

20 and Brooke M. Ringel - Of Counsel

21

22

23

24

25

1 Wiley Rein LLP  
2 Washington, DC  
3 on behalf of  
4 Nucor

5 Eric Nystrom, Director, SBQ and Wire Rod, Nucor  
6 Alan H. Price and Daniel B. Pickard - Of Counsel

7

8 Rebuttal/Closing Remarks:

9 Respondents (Richard O. Cunningham, Steptoe & Johnson LLP)

10 Petitioner (Paul C. Rosenthal, Kelley Drye & Warren LLP)

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## P R O C E E D I N G S

(9:34 a.m.)

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

MR. ANDERSON: Good morning and thank you for your patience while we settle into this cozy courtroom and welcome to the International Trade Commission's Conference in connection with the preliminary phase Antidumping and Countervailing duty investigations No. 701-TA-573-574 and 731-TA-1349-1358 concerning carbon and certain alloy steel wire rod from Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, The United Arab Emirates and The United Kingdom.

My name is Michael Anderson and I am the Director of the office of investigations. I will be presiding over this conference. Among those present from the Commission Staff are from my far right, our Supervisor Investigator Mr. Fred Ruggles and to my far right Mr. Michael Szustakowski our Investigator and to my left our Attorney Advisor Nataline Viray-Fung and our Economist Andrew Knight and our Accountant Auditor Joanna Lo and finally Greg LaRocca our Industry Analyst.

I understand that parties are aware of their time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind all of the speakers when you make your remarks please not to

1 refer to any business proprietary information and if you  
2 will kindly remember each time you speak to state your name  
3 for the benefit of the court reporter. They cannot always  
4 see the signs, especially on the sides of your name tags.  
5 I believe all witnesses have been sworn in before presenting  
6 testimony so are there any questions? Mr. Secretary, are  
7 there any preliminary matters?

8 MR. BISHOP: No, Mr. Chairman.

9 MR. ANDERSON: Thank you, very well, let us begin  
10 with opening remarks.

11 MR. BISHOP: Opening remarks on behalf of  
12 Respondents will be given by Matthew M. Nolan of Arent Fox.

13 OPENING REMARKS OF MATTHEW M. NOLAN

14 MR. NOLAN: Alright, can you hear me okay? Good,  
15 yes. Good morning, ladies and gentleman of the Staff. On  
16 behalf of the Respondents group we thank you for the  
17 opportunity to be heard today. It is a crazy day out there.  
18 You got the British who are having an early election.  
19 Respondents are going before Petitioners. I don't know  
20 whether to object or thank you for it, but we will move on  
21 with that and see how all this works out.

22 Petitioners' case is really quite simple. They  
23 allege that Subject Imports increased significantly,  
24 undersold Domestic Producers, took market share and caused  
25 injury. Simple, right? But it's what they are not telling

1 you that you need to focus on today. The Petition focuses  
2 on Subject Imports in a basket of "all others" without  
3 mentioning China.

4 Quoting from line 1 of Nucor's Brief in the  
5 recent China wire rod case; from 2011-2013 Chinese Imports  
6 shot from 144 short tons to over 600,000 tons. Indeed,  
7 Chinese Imports increased to over 616,000 tons in 2013 or  
8 almost 50 percent of total imports in 2011. Overall imports  
9 increased 450,000 tons and China displaced well over 160,000  
10 tons of other imports and likely much more since U.S.  
11 consumption rose during 2011 to 2013.

12 The trade case against China knocked the Chinese  
13 out of the market. In 2014 imports from China dropped to  
14 375,000 tons and by 2016 only 44 tons. Displaced imports  
15 including Subject Imports then returned to the market. In  
16 2014 to 2016 most of the increase in imports that you see is  
17 simply a combination of that return to market by displaced  
18 Subject Imports along with improving demand and conditions  
19 in specific sectors like the automotive and tire industries.

20 But note that Subject Imports replaced far less  
21 from the total drop from China, so either producers in the  
22 U.S. benefited or non-Subjects benefitted. Today you will  
23 hear from a variety of witnesses from related industries and  
24 respondent countries. You will hear from the wire producing  
25 industry in the United States who are concerned that this

1 case is not about unfair imports but about restricting  
2 supply options.

3 Large integrated producers like Nucor and Gerdau  
4 have their own downstream wire mills, then there is little  
5 doubt that they will feed their mills first ultimately  
6 squeezing out independent wire producers and causing harm to  
7 this important downstream industry. All four Petitioners  
8 have downstream wire operations as do eight of ten U.S.  
9 Producers.

10 You will hear from specialty producers who make  
11 wire rod products for the automotive and tire industries,  
12 products which U.S. Producers either simply do not make or  
13 do not have the capacity to meet the robust demand from the  
14 auto sector. You will hear from the Ukraine where a  
15 principal producer/exporter has been seized by pro-Russian  
16 separatists and rail lines blocked, disrupting supply chains  
17 production and forcing wire rods to cease production.

18 You will hear from countries who but for the  
19 idiosyncrasies of our trade laws would never be considered  
20 shipping volumes sufficient to cause injury to U.S.  
21 Producers. You will hear from countries that actually  
22 reduced imports significantly during the POI, like the  
23 United Kingdom and Turkey. The import equation here does  
24 not add up to injury, but there is more.

25 In recent cases the Commission has focused on

1 increased imports and loss of market share to find material  
2 injury or threat but there is absolutely no evidence that  
3 Subject Imports took market share from U.S. Producers in  
4 this case. Subject Imports volume supposedly increased to  
5 276,000 tons but for imports from other sources declined by  
6 more than 276,000 tons. So total imports actually fell  
7 during the Period of Investigation.

8 Second, take a look at the production data in  
9 Petition exhibit I-11. This does not support a loss of  
10 market share argument and while the exhibit I-10 in the  
11 Petition presents a slightly different picture, consider  
12 carefully the source and utility of that data. I submit  
13 that intra-industry competition would be a far better reason  
14 to explain differences in Domestic Producer performance  
15 given flat to declining overall import levels.

16 Petitioners will complain about falling prices  
17 but there is simply no evidence of price suppression or  
18 depression and the Commission has refused to find price  
19 suppression in recent similar steel cases. The same logic  
20 applies here. Raw material costs, principally scrap, were  
21 clearly declining for much of the POI and buyer's track  
22 scrap prices and expect rod to follow.

23 Just take a look at the raw material costs in  
24 Exhibit I-11. Respondents note that only 5 of 10 U.S.  
25 Producers of wire rod are appearing here today. We urge the

1 Commission to look carefully on reported factory expenses  
2 and overheads as reported by certain Petitioners. The  
3 production levels reported do not support the changes in  
4 cost that are being reported.

5 Finally, a last word on prices. Based on  
6 announcements and news reports U.S. Producers raised rod  
7 prices over 120 dollars a ton in 2016, 40 dollars a ton in  
8 January of 2017, 40 dollars a ton just before filing this  
9 Petition. Does this sound like an industry incapable of  
10 raising market prices due to Subject Imports? Thank you.

11 MR. BISHOP: Opening remarks on behalf of  
12 Petitioner will be given by Alan H. Price of WileyRein.

13 OPENING REMARKS OF ALAN H. PRICE

14 MR. PRICE: Good morning, Mr. Anderson and  
15 members of the Commission Staff. I am Alan Price, Counsel  
16 to Nucor Corporation. The Domestic Industry is here today  
17 in an effort to restore fair trade to the U.S. Wire Rod  
18 Market. Dumped and subsidized wire rod imports from ten  
19 countries are surging into the U.S. Market, severely  
20 injuring the Domestic Industry.

21 This import surge has damaged the prices, market  
22 share and profits of the U.S. Industry. The surge has also  
23 shuttered two U.S. mills and it threatens the livelihood of  
24 thousands of other American workers. The statutory factors  
25 that the Commission normally considers have been easily met

1 in this case.

2 First, the Commission should analyze all Subject  
3 Imports on a cumulative basis, and the Commission has  
4 cumulated based upon similar effects in other recent rod and  
5 steel cases. The Commission should also apply the Captive  
6 Consumption Provision and focus on merchant market sales.

7 In terms of volume, Subject Imports rose by more  
8 than 56 percent from 2014 to 2016, reaching almost 710,000  
9 tons in 2016. The import surge accelerated in June of 2014,  
10 taking sales from U.S. Mills and stealing the benefits of  
11 trade relief against Chinese Imports. By the end of 2015,  
12 subject wire rod had exceeded the peak volume of Chinese  
13 Imports and grabbed double digit market share. Despite  
14 declining demand Subject Imports kept on pouring in during  
15 2016.

16 The price effects of Subject Imports are also  
17 significant. Wire rod is highly interchangeable regardless  
18 of source and is sold on the basis of price. As a result  
19 Subject Imports were able to capture market share from the  
20 U.S. Industry through systemic underselling. As Subject  
21 Imports accelerated into the U.S. Market during the 2nd half  
22 of 2014 and into 2015 they caused the U.S. wire rod prices  
23 to collapse.

24 Indeed, from 2014 to 2016 U.S. wire rod prices  
25 were cut by 26 percent, falling by more than 200 dollars per

1 ton. The surge of unfairly traded imports has had a  
2 devastating impact on the domestic wire rod industry. Sales  
3 have declined, capacity utilization remains at unsustainably  
4 low levels. Already inadequate net and operating incomes  
5 have plummeted. ArcelorMittal and Republic Engineered  
6 Steels have both shut down U.S. Wire Rod mills while others  
7 have cut pay, shifts and hours.

8 U.S. Producers have also been forced to cut back  
9 on critical investments in R&D and innovation. In addition  
10 to causing material injury, Subject Imports threaten  
11 additional injury. Global steel overcapacity is at an all  
12 time high and wire rod is no exception. Subject Producers  
13 have massive excess capacity and they continue to build even  
14 more capacity. They face growing problems in their own  
15 markets as well as third country markets including declining  
16 demand, trade barriers and new local capacity in many former  
17 export markets.

18 Absent the imposition of orders, there is nothing  
19 that will stop the surge of dumped and subsidized imports  
20 from continuing to injury the Domestic Industry. To  
21 distract from this evidence those opposing relief will make  
22 many claims about an alleged attenuation of competition in  
23 the market but the overwhelming majority of the Subject  
24 Imports volumes are of conventional low, medium and high  
25 carbon wire rod that the U.S. Industry produces.

1                   In the end, this case is straightforward.  
2           Subject Producers replace Chinese wire rod and then some.  
3           They stole the relief granted by the Commission and the  
4           Commerce Department from U.S. Producers. Subject Imports  
5           increased by more than 56 percent in volume and took a  
6           double digit share of the market. As a result the industry  
7           was devastated. Already inadequate profits plummeted, mills  
8           closed and thousands of U.S. workers took home less pay.

9

10                   On their behalf and on behalf of the entire  
11           Domestic Industry we ask the Commission to make affirmative  
12           determinations with respect to all Subject Imports and to  
13           restore a level playing field to the U.S. wire rod market.  
14           Thank you.

15                   MR. BISHOP: Would the panel in opposition to the  
16           imposition of the Antidumping and Countervailing duty orders  
17           come forward and be seated? Mr. Chairman, all witnesses on  
18           this Panel have been sworn in.

19                   While everyone is getting seated I would again  
20           remind you that you please state your name when you speak.  
21           I know it seems awkward to say it every time you speak but  
22           the court reporter needs to know who is speaking. If you  
23           hear me happen to say your name, just keep going. I am just  
24           letting him know who is speaking. Thank you.

25                   MR. ANDERSON: Good morning to our first Panel

1 here. Thank you for being here today and traveling to  
2 Washington, D.C. those who came into town. Mr. Nolan I will  
3 let you proceed when your Panel is ready.

4 MR. NOLAN: Alright. We will start with the Wire  
5 Producers Association. You guys want to take it away?

6 STATEMENT OF KIMBERLY A. KORBEL

7 MS. KORBEL: Thank you. Good morning Mr.  
8 Anderson and Members of the ITC Staff. My name is Kimberly  
9 Korbelt and I'm the Executive Director of the American Wire  
10 Producers Association. Four members of the AWPA are here  
11 today to discuss the domestic rod market and their  
12 purchasing decisions. Together they purchase more than 1  
13 million tons of wire rod annually.

14 The real problem faced by the domestic rod mills  
15 is that the total demand for their product has declined as a  
16 result of trade cases which they have filed. Apparent  
17 consumption of wire rod has declined significantly,  
18 countries that can no longer sell wire rod to U.S. wire  
19 producers because of trade cases continue to produce rod but  
20 that rod ends up in finished wire and wire products coming  
21 into the U.S.

22 We've seen imports of wire and wire products  
23 increase from 33.5 percent to 70 percent of the U.S. Market.  
24 So our wire customers buy less wire, our company members  
25 make less wire which means they purchase less rod which

1 results in lost sales for the domestic rod industry. We  
2 look forward to responding to your questions at the  
3 conclusion of our Panel's presentation. Our first AWPA  
4 witness is John T. Johnson, AWPA President.

5 STATEMENT OF JOHN T. JOHNSON

6 MR. JOHNSON: Good morning, how are you all? I'm  
7 John T. Johnson the Owner and President of Mid-South Wire in  
8 Nashville, Tennessee. I am also the current President of  
9 the American Wire Producers Association. Mid-South wire was  
10 founded in 1967 as a family owned business that draws steel  
11 wire rod into wire for a wide variety of wire products. In  
12 fact, ironically this week we are celebrating the 50th  
13 anniversary of our company.

14 Together with our affiliated sister company,  
15 Nashville Wire Products, we employ approximately one  
16 thousand workers in plants located in Tennessee, Alabama,  
17 Kentucky and Missouri. Mid-South produces wire for the  
18 automotive, agricultural, appliance, closet shelving,  
19 material handling, construction reinforcement and other  
20 industries in the United States. We also produce galvanized  
21 wire for a variety of end-uses such as chain link fence,  
22 nails, chicken coups, garment hangers and wire handles for  
23 paint cans.

24 Each year Mid-South purchases about 200 thousand  
25 tons of wire rod and during the period covered by this

1 investigation we source the majority of those tons from U.S.  
2 rod mills. I want to emphasize up from that we rely on  
3 domestic rod industry for the lion's share of our material.  
4 We have a good relationship with them and we want to  
5 continue to work with them closely. However we cannot  
6 survive if we are limited to outsourcing only domestic rod.

7 Like other independent wire producers and by what  
8 I mean wire companies that are not vertically integrated  
9 with the rod mill, we are frequently caught in a cost/price  
10 squeeze when it comes to our raw material input. Our  
11 downstream wire customers are caught in the same squeeze.  
12 When rod prices increase this results in increased wire  
13 prices and wire manufacturers simply cannot continue to pass  
14 the increasing costs to their customers.

15 Our customers are continually faced with the  
16 "import or build" decision. That is, whether to import the  
17 finished wire products or continue to purchase wire from us  
18 and make their finished products here in the United States.  
19 Our customers demand that we be competitive if they are to  
20 continue to buy from us and make their products here in the  
21 U.S.

22 Obviously, we want our customers to continue  
23 buying our wire and this benefits the U.S. rod mills as  
24 well. Unfortunately over the past several years a number of  
25 our end-use customers have moved some or all of their

1 production out of the United States. One great example of  
2 that is the barbecue grill industry that has virtually  
3 disappeared from the U.S. Manufacturing landscape. They  
4 have gone offshore to tide the rising rod and wire prices.

5 If we are held hostage by the domestic rod mills  
6 and denied the ability to buy rod in a globally competitive  
7 market our customers will have to consider import options  
8 instead of buying from us to meet their needs. As a result,  
9 wire rod consumption in the United States will likely  
10 continue to decline hurting both the domestic rod mills and  
11 wire producers.

12 Another point I want to highlight is the fact  
13 that we compete in our downstream wire markets with our  
14 domestic wire rod suppliers including all four of the  
15 Petitioners in this case. They compete with us in the chain  
16 link fence market, lawn and garden products, in the  
17 appliance industry and on drawn wire to name just a few. In  
18 the event of competing demands for a finite supply of wire  
19 rod, we'd expect that these mills will take care of their  
20 internal and related wire operations before they ship to  
21 outside customers like Mid-South.

22 In fact, we are already hearing from some U.S.  
23 rod mills about allocations in the near future and they tell  
24 us they are either fully booked or getting booked. Of  
25 course, they don't call them allocations. Instead they call

1       them "controlled order entry". We are already experiencing  
2       delivery delays on orders that we placed before these cases  
3       were filed. Some domestic mills have experienced unplanned  
4       outages and other production issues which could create  
5       supply issues as well.

6               As I mentioned, we have found that lead times and  
7       deliveries from some of the U.S. Mills have been irregular  
8       and unpredictable. When we buy imported rod, the  
9       transaction price is not the only factor we consider.  
10      Quality is also key. Some of our customers request that we  
11      provide them with wire drawn from steel produced by certain  
12      foreign mills, especially those that use the BOF method of  
13      melting steel.

14             According to our customers the BOF steel works  
15      better in their processing operations than some of the  
16      domestic scrap-based steel. Some of the advantages of BOF  
17      steel include better residuals, lower tensiles and overall  
18      better consistency. Rod mills in Korea, South Africa, The  
19      UK and Ukraine supply the BOF rod. None of the domestic  
20      mills are BOF. They all use electric arc technology.

21             Another key is that buying imported rod allows us  
22      to secure business that requires guaranteed long-term  
23      pricing. We have customers who request confirmed pricing  
24      for two quarters up to a year but the domestic rod mills are  
25      unable to provide that kind of predictability. We have to

1 negotiate for volumes with our domestic suppliers and  
2 generally they will confirm pricing for one month at a time.

3 Domestic rod mill prices are generally tied to  
4 scrap prices which have been extremely volatile lately with  
5 a dramatic swings both up and down. We have found while  
6 U.S. rod prices follow scrap prices up when scrap prices  
7 fall the domestic mills don't always reduce their prices.  
8 For example, scrap recently dropped 30 dollars a ton but the  
9 U.S. rod mills have sent out letters stating that they are  
10 retaining their current pricing levels and not  
11 acknowledging the scrap decrease.

12 Another advantage of import rod is that we can  
13 purchase in larger quantities. Our national plant is  
14 strategically located on the Cumberland River so we prefer  
15 to buy barge loads of 1500 tons per barge. All of our  
16 imported rod arrives by barge at our plants. However, only  
17 two of the petitioners can deliver to us by barge. Each  
18 barge that we receive is equivalent to 75 truck loads. It  
19 takes only four hours to unload a barge but to marshal 75  
20 truckloads of domestic material in our receiving yard takes  
21 considerably more time and manpower and leaves a much higher  
22 carbon footprint.

23 So there are real cost savings and environmental  
24 benefits in receiving rod by barge. As you can see, we have  
25 to consider a number of factors which affect the total cost

1 of our rod in our purchasing decisions. Price is only one  
2 of those factors. Domestic rod industry's reliance on trade  
3 cases to restrict our access to the global rod market makes  
4 us uncompetitive in a global economy making it impossible  
5 for us to be the lowest cost producers and forcing our  
6 customers to move production and jobs overseas.

7 If the domestic mills are the only game in town,  
8 I have real concerns about whether my company and other  
9 independent wire producers will be able to get the rod tons  
10 needed to operate their businesses. Ultimately, if we lose  
11 customers, so will the rod mills. Thank you.

12 STATEMENT OF CHRISTIAN STAUFFER

13 MR. STAUFFER: Good morning. My name is  
14 Christian Stauffer and I am Vice President for Sourcing and  
15 Logistics at Insteel Industries in Mount Airy, North  
16 Carolina. Insteel is the nation's largest manufacturer of  
17 steel wire reinforcing products from concrete construction  
18 applications. We manufacture and market drawn wire,  
19 pre-stressed concrete strand and welded wire reinforcement  
20 products such as engineered structural mesh, concrete pipe  
21 reinforcement and standard welded mesh products.

22 Our sales of these products exceeds \$400  
23 million annually. Insteel operates ten plants in eight  
24 states of North Carolina, Florida, Pennsylvania, Tennessee,  
25 Kentucky, Missouri, Texas and Arizona, and we employ nearly

1 1,000 American workers. We have pursued an ambitious  
2 capital expenditure program to strengthen our position in  
3 the market. Total outlays this year will be expected to  
4 reach 25 million as we complete the expansion of our PC  
5 strand facility in Houston, and a new production line in St.  
6 Joseph, Missouri, and continue to upgrade our production  
7 technology and information systems.

8           Insteel consumes more than 450,000 tons of  
9 wire rod annually, and we source between 70 and 75 percent  
10 of that tonnage from domestic rod mills. We buy from all  
11 the Petitioners in this case. Since 2014, our purchasers of  
12 U.S.-made have steadily increased. In making Insteel's  
13 purchasing decisions, I consider quality, availability and  
14 price in that order. Of course price is a factor in  
15 negotiations with our rod suppliers, but quality and  
16 availability are our primary considerations when decided  
17 from whom to purchase.

18           Other important factors in our purchasing  
19 decisions are transportation costs and the condition of the  
20 wire rod upon arrival at our plants. Wire rod prices tend  
21 to fluctuate based on changes in scrap and other metallic  
22 prices. Rod prices also vary based on volume commitments to  
23 suppliers, which can be monthly, quarterly, semi-annually or  
24 annually.

25           Domestic rod producers change their prices

1 monthly in order to maintain their profit margins, as their  
2 raw material, scrap, DRI and pig iron costs increase. The  
3 industry as a whole regularly sends out price increase  
4 letters. With no predictable pricing algorithm month to  
5 month, our efforts to maintain steady inventories and ensure  
6 that we have sufficient wire rod for our multiple locations  
7 puts us at the mercy of the domestic industry.

8 I would also note in purchasing wire rod  
9 Insteel does not buy imported rod instead of domestic rod.  
10 We consistently buy from domestic and import sources because  
11 our commitments to our customers require a continuous supply  
12 of rod from all sources. Many of Insteel's customers supply  
13 products to the U.S. infrastructure projects which are  
14 subject to Buy America or Buy American requirements. So we  
15 must purchase domestically produced wire rod for these  
16 purposes.

17 In order to comply with these domestic content  
18 requirements, we work closely with our domestic suppliers to  
19 be able to certify that the rod they supply to us is melted  
20 and poured in the United States. These Buy America and Buy  
21 American requirements apply to segments of the PC strand  
22 market and the majority of our concrete pipe reinforcement  
23 and engineered structural mesh products.

24 We have to certify to our customers that our  
25 products are in compliance with various federal and state

1 regulations requiring domestic materials. We cannot use  
2 imported rod for these purposes. This affects a significant  
3 part of our total business and the percentage is even higher  
4 when you consider that most of our customers in these  
5 markets do not want to maintain separate inventories of Buy  
6 America qualified materials, so Insteel must supply those  
7 customers with products that satisfy domestic content  
8 requirements.

9 Like other wire producers here today, we  
10 compete with our domestic suppliers with downstream wire and  
11 wire products. Each of the petitioning customers is also a  
12 competitor. They are vertically integrated producing both  
13 wire rod and wire products including welded wire  
14 reinforcement and PC strand.

15 They compete with us at every level in the  
16 markets we serve throughout the United States in every  
17 geographic area. Our downstream operations also compete for  
18 supplies of wire rod, which we know -- in which we know they  
19 will be given preference if rod shortages develop in the  
20 market or deliveries are delayed or cancelled.

21 One of our petitioners even told my CEO that  
22 their rod production is a tool to out-compete Insteel. The  
23 exact quote is "We will out-Insteel Insteel." In our tight  
24 supply conditions caused by restricting access to global  
25 sources of rod, the domestic industry will be in a position

1 to limit the supply to Insteel, while continuing to support  
2 their downstream wire companies in direct competition to us.

3 For most sectors of the U.S. market, domestic  
4 demand for wire rod exceeds production, domestic production  
5 capacity. It has been this way for some time. The ITC's  
6 own case records can readily support the notion that there  
7 has been a flow of imported wire rod to the United States  
8 for many, many years.

9 Imports of wire rod are necessary to satisfy  
10 the supply requirements of the U.S. market. I am very  
11 concerned about the supply and demand imbalance, because in  
12 any year the domestic industry will have planned and  
13 unplanned outages, as well as production schedules running  
14 at 100 percent of current capacity utilization as the mills  
15 define schedule capacity.

16 Twice last year, one of the petitioning mills  
17 reduced our wire rod order by ten percent because the mill  
18 was overbooked. We were told that the overbooking was due  
19 to strong rebar and rod orders, and that the mill was  
20 cutting all customer orders as a result. Insteel was forced  
21 to cover our full production requirements elsewhere. The  
22 same petitioner informed us that our April 2017 orders would  
23 be pushed into May because the mill was full in both March  
24 and April.

25 At the end of 2016, another petitioner

1 informed us that they had no production space left in their  
2 mill for December, and that they would be unable to produce  
3 material for Insteel until January 2017 rolling.

4 In circumstances like these, the integrated  
5 rod mills in the United States, including all of the  
6 Petitioners, will have a higher priority to their own  
7 captive consumption of wire rod to make downstream wire  
8 products, which compete directly with Insteel and other  
9 independent wire companies, and we would have no  
10 alternative sources of supply. This would be disastrous for  
11 the U.S. wire and wire products industry. Thank you.

12 STATEMENT OF BOB MOFFITT

13 MR. MOFFITT: Good morning. My name is Bob  
14 Moffitt and I am Vice President of Purchasing for the Heico  
15 Wire Group, which includes Davis Wire and National Standard.  
16 The Wire Group is the largest consumer of wire rod in  
17 western North America, and one of the largest in the United  
18 States. We employ approximately 650 people in our plants in  
19 California, Washington, Oklahoma and Michigan. A fifth mill  
20 in Colorado was closed in mid-2015 because of poor wire  
21 market conditions.

22 We draw wire for use in agricultural and  
23 merchant products, industrial and specialty products,  
24 building and reinforcing products and the automotive  
25 industry. We purchase low carbon, high carbon, tire bead

1 and weld wire rod for these applications. The Heico Wire  
2 Group is a strong supporter of the U.S. rod industry. We  
3 prefer to buy domestically.

4 In fact, during the period being investigated  
5 by the Commission, we bought between 75 and 85 percent of  
6 our total requirements from U.S. sources. Although we  
7 prefer to buy from the domestics, we have learned through  
8 experience that it is essential to maintain multiple sources  
9 of wire rod.

10 As a result, we made a strategic business  
11 decision some years ago that we would purchase between 25  
12 and 30 percent of our wire rod requirements from offshore  
13 producers, and the remaining between 70 and 75 percent  
14 domestically. This is why I take exception to the question  
15 in the purchasers' survey that I received from the  
16 Commission, which asked whether I purchased imported rod  
17 instead of domestic material.

18 It is not a question of either/or. It is  
19 question of having both sources available to us. In  
20 deciding where to source rod, the three most important  
21 considerations for me are the relationship I have with the  
22 vendor, the cost of the rod as opposed to its price and  
23 timely delivery. Vendor relationships are important because  
24 I am aware of the capabilities, quality and reliability of  
25 each of my suppliers, and I know the mills that I can depend

1 on to ship rod that meets our company's standards.

2 At times we pay a higher price to these  
3 domestic mills than their domestic competitors because of  
4 these relationships. The cost of the rod is critical. By  
5 cost, I do not mean the price on the supply contract, but  
6 the actual cost to my company for using the rod in our wire  
7 drawing operations.

8 Prior to any rod negotiations, I must evaluate  
9 several factors including coil size, scale weight, mill  
10 trimming practices, surface quality and the physical and  
11 mechanical properties of the wire rod. These factors are  
12 critical because the lowest priced rod is not necessarily  
13 the lowest cost rod.

14 For example, the weight of a coil is important  
15 because a smaller coil requires more welds to maintain  
16 continuous drawing and smaller coils generate more scrap.  
17 So more steel is lost per ton. This increases our costs.  
18 With imported rod, we often find damage from mishandling and  
19 poor packaging, which contributes to breaks during the wire  
20 drawing process. Higher breakage rates and slower drawing  
21 speeds mean that fewer pounds of rod can be drawn per hour.  
22 This increases our costs.

23 Domestic mills ship via rail and truck,  
24 usually with one heat per load. A heat is a unique melt of  
25 steel with consistent physical properties throughout, and we

1 inventory our rod purchases by heat. Imported rod comes in  
2 consignments of five to 30,000 tons and heats are always  
3 commingled. This makes it more difficult for us to manage  
4 our inventory and thus increases our costs.

5 Imported rod must be carried in inventory for  
6 longer periods of time because of the larger consignments,  
7 which further adds to the cost of the material. So I must  
8 always consider the effect of these various factors on the  
9 cost of our raw material, and not simply the purchase price  
10 from the rod mill.

11 Another key consideration in my purchasing  
12 decision is timely delivery. Our wire companies cannot  
13 operate efficiently without a reliable and predictable  
14 supply. The cheapest rod in the world is of little use to me  
15 if it is delivered late or not at all, or if it arrives in  
16 an unacceptable condition.

17 Today, lead times from domestic mills, which  
18 had been four to six weeks, have been stretched to six to  
19 eight weeks. Like the other wire companies on this panel,  
20 Heico competes in downstream markets with many of the same  
21 mills who sell us rod. This puts us in a difficult  
22 position, especially if there are shortages of domestic  
23 supply, because we know that the domestic mills will take  
24 care of their own wire companies before they take care of  
25 us.

1                   These are all instances where the domestic rod  
2 mills are competing with other domestic mills, even with  
3 themselves. For example, one domestic mill complained to me  
4 about losing business to imports when it was actually other  
5 domestic mills that offered us better pricing.

6                   Another domestic rod supplier sells us wire  
7 rod that we use to make weld wire, which we in turn sell the  
8 supplier's affiliate. However, when the rod supplier  
9 increases rod price to us, its affiliate refused to pay more  
10 for the wire made from that rod.

11                   In another case, a domestic supplier who sells  
12 rod to us for our galvanized wire lines has imported the  
13 very product we have in the past produced from their rod. I  
14 feel it important to point out that the real threat to the  
15 domestic rod industry is not imported rod but rather  
16 imported wire. As Ms. Korbelt said earlier, the problem  
17 facing the domestic rod mills is that total rod demand has  
18 declined as a result of their trade cases.

19                   The 2014 AD CVD affirmative decision on China  
20 is a perfect example of the damage that a trade case can do  
21 to the domestic rod industry. My company actually bought  
22 fewer tons of rod, domestic or imported, as a result of that  
23 case. Our largest competitor on the west coast is located  
24 in Vancouver, British Columbia. After the U.S. case against  
25 China, our competitor had no restrictions on imports abroad

1 from China, and Canadian statistics show a dramatic increase  
2 in shipments of wire rod from China to British Columbia.

3 They also can buy rod from Mexico, another  
4 country under order in the U.S. This rod from China and  
5 Mexico is being converted in Canada to wire, wire products  
6 and exported to the U.S. at prices substantially below what  
7 we could offer our wire. In the end, countries denied  
8 access to the U.S. market will continue to produce wire rod,  
9 but it will end up in the U.S. as a finished wire product,  
10 not only from that country but from third countries as  
11 well. Thank you.

12 STATEMENT OF TERRY HUGHES

13 MS. HUGHES: Good morning. My name is Terry  
14 Hughes, and I am the Director of Procurement from BeKaert  
15 Corporation in North America. I have been with BeKaert  
16 since 2004 and I have a degree in Metallurgical Engineering  
17 and a Master's degree in Business Administration. Bekaert  
18 is the world's leader in steel wire technology and  
19 production. Our headquarters are located in Marietta,  
20 Georgia and we operate five plants in the U.S., one each in  
21 Georgia, Kentucky and Ohio and two in Arkansas.

22 We employ more than 1,344 workers in the U.S.  
23 Our normal rod usage is 350,000 to 360,000 tons annually.  
24 Multiple sourcing is very important to us, as we try to  
25 manage the risks of our business. We purchase about

1 one-half of our requirements from U.S. rod mills, including  
2 all four Petitioners. We also purchase from all subject  
3 countries but one.

4 Half of our wire sales are to the automotive  
5 sector, and the remainder to agricultural, construction,  
6 fencing, energy and utility segments of the U.S. market.  
7 Tire cord is one of the largest product segments, consuming  
8 one-third of our total rod purchases. Our capital  
9 expenditures have been substantial, related mainly to  
10 investments in tire cord production.

11 For example, Bekaert has recently invested  
12 several millions dollars in our Rome, Georgia facility, that  
13 uses steel tire cord wire rod to produce material for North  
14 American tire and reinforced hose markets. Automotive  
15 markets performed well throughout 2016 and are projected to  
16 remain strong this year.

17 To meet the growing demand from tire  
18 manufacturers, we had planned to implement a major expansion  
19 in our Rogers, Arkansas plant, which would increase North  
20 American tire cord production capacity by 50 percent at that  
21 plant and add over 100 new jobs. At this point, our  
22 investment plans are on hold pending resolution of this  
23 case, as undertaking such commitment does not make business  
24 sense if the steel tire cord wire rod will not be available  
25 from imported BOF suppliers.

1                    Domestic mills cannot produce steel tire cord  
2 wire rod with the quality necessary to fine-draw these  
3 products to meet our requirements. Steel tire cord wire rod  
4 has been excluded from prior case. Nevertheless, it has  
5 been included in this one and Bekaert strongly believes that  
6 it should be excluded once more.

7                    Because this rod is not available  
8 domestically, we have to source it from other countries.  
9 Our customers need and specify basic oxygen furnace or BOF  
10 material because the BOF process produces a very pure input.  
11 In other words, the steel that does not have high residual  
12 or tramp elements and tensile properties is more consistent.

13                    BOF material is available only from mills  
14 outside the United States including Ukraine, South Africa,  
15 Korea, UK, Turkey and Spain. We purchase imports based on  
16 the type of production, BOF, and not electric arc furnace or  
17 EAF, because the recycling in the EF process results in  
18 increased percentages of tramp elements.

19                    So steel tire cord wire rod used in the  
20 manufacture of tire and high pressure hoses, must be -- must  
21 be BOF to work at peak performance. I would also like to  
22 mention that it takes about two years to qualify a supplier  
23 of steel tire cord wire rod. It is a demanding process  
24 because these products are used in high liability downstream  
25 markets like automobile tires and high pressure hoses.

1                   Each time we want to qualify a new rod  
2                   supplier, Bekaert has to requalify itself with the tire  
3                   manufacturers. This process is not only time-consuming but  
4                   also expensive for all parties involved. Other grades  
5                   requiring BOF production are bookbinding wire used in spiral  
6                   notebooks and automotive springs.

7                   Therefore, sourcing high quality BOF material  
8                   is one of the most considerations when I purchase wire rod.  
9                   Also important is the total cost of ownership, as Mr.  
10                  Moffitt explained, which also includes the production  
11                  capacity of the supplying mill and the suppliers' ability to  
12                  meet Bekaert's delivery requirements and lead times.

13                  If domestic suppliers are full and cannot  
14                  supply in a timely manner, we must go offshore to become  
15                  less reliant on these highly occupied mills. One domestic  
16                  mills has Bekaert on monthly allocations, and lead times  
17                  have been extended by domestic rod mills including all four  
18                  petitioners. We tried to rely heavily on the domestic  
19                  suppliers during the past two quarters, but they are behind  
20                  in deliveries.

21                  A number of domestic mills have told us that  
22                  they are almost fully booked through the end of the second  
23                  quarter 2017. Bekaert must be able to source tire cord wire  
24                  rod and other BOF materials to meet our customers' demands.  
25                  We would like to highlight that we have made significant

1 efforts to partner with domestic suppliers, negotiate key  
2 supplier agreements and purchase locally when possible.

3                   However, we must have the possibility to  
4 purchase globally when BOF quality material is not available  
5 in a domestic market. Thank you.

6                   STATEMENT OF DAVID MINNICK

7                   MR. MINNICK: Good morning. My name is David  
8 Minnick and I'm the CEO of Kiswire America, a U.S. producer  
9 of tire cord and bead wire used in the production of vehicle  
10 tires. I have been in the bead wire and tire cord business  
11 for 18 years. Simply stated, Kiswire America depends on  
12 high-quality wire rod of 1080 grade and above to produce  
13 tire cord and bead wire that is acceptable to the tire  
14 manufacturer.

15                   Kiswire America was established in 1999 and now  
16 operates four plants with the capacity of 115,000 tons.  
17 Kiswire America employed 610 workers. We have two bead wire  
18 plants and two tire cord plants which are located in South  
19 Carolina and Arkansas.

20                   We have invested \$250 million in these plants,  
21 and are investing an additional \$50 million to expand the  
22 tire cord production. When Kiswire America was first  
23 established, it used only POSCO wire rod because Goodyear  
24 had approved POSCO as a wire rod supplier. Since then,  
25 Kiswire America has expanded its supplier. However, it

1 takes roughly six months to one year for a tire company to  
2 approve bead wire and two or more years to approve steel  
3 cord.

4 Kiswire America's position is that the Commission  
5 should find that 1080 grade wire rod for the tire cord and  
6 bead wire is a separate like-product from other wire rod.  
7 We can discuss the criteria in response to questions.

8 In the Chinese wire rod case in 2014, the  
9 Commission staff observed that ArcelorMittal makes a wide  
10 variety of wire rod grades at its facilities, including low,  
11 medium, high carbon, tire cord, tire bead, and welding wire  
12 rod. This statement is no longer correct insofar as U.S.  
13 production of tire cord and tire bead wire rod is concerned.

14 Arcelor's U.S. production ended with the shutdown  
15 of Georgetown Steel, Kiswire's America facility in Pine  
16 Bluff that was owned by ArcelorMittal prior to 2014. And  
17 during this time, the ArcelorMittal Pine Bluff facility  
18 worked closely with the ArcelorMittal Georgetown facility to  
19 try and help them achieve a quality that was suitable for  
20 high tensile tire cord wire products. That mill was never  
21 capable of achieving a 1080 grade steel that would meet the  
22 specification needed to produce high tensile wire products.

23 The Georgetown mill was officially closed by  
24 ArcelorMittal in 2015. Kiswire purchased the Pine Bluff  
25 facility in May of 2014. ArcelorMittal does not have--does

1 have foreign mills producing steel cord and bead wire  
2 quality wire rod, but these mills are located in Europe and  
3 Brazil.

4 We have worked with domestic suppliers in the  
5 U.S. to qualify them to produce the 1080 and higher grade  
6 wire rod for tire cord and bead wire. Those efforts have  
7 been unsuccessful. U.S. manufacturers of tire cord and bead  
8 wire require carbon wire rod of .08 percent carbon and  
9 higher. At present, U.S. producers can only produce up to  
10 .07 carbon content. Because no U.S. producer can produce  
11 what is required, Kiswire America relies on various foreign  
12 suppliers.

13 Another important requirement is that the wire  
14 rod be cleaned of any metals and have a smooth finish free  
15 of defects. We reduce the 5.5 millimeter wire down to  
16 ranges of 0.15 millimeters to 0.2 millimeters. This is a 97  
17 percent reduction in area. You can see the samples that we  
18 provided to you today.

19 In order to perform this reduction and achieve  
20 the correct physical properties, the rod must not have  
21 impurities and the surface must be free of defects. We  
22 request that the Commission consider the absence of U.S.  
23 production, despite the demand of the tire companies for  
24 such product, in evaluating this case.

25 Tire cord capacity in the U.S. currently stands

1 at approximately 170,000 tons and is growing with demand of  
2 approximately 350,000 tons. Demand exists and is being  
3 serviced by imports because U.S. wire rod producers are  
4 unable to produce wire rod of this carbon content and  
5 cleanliness.

6 Our explanation is that wire rod produced by EAF,  
7 which is all U.S. producers, have difficulty eliminating  
8 copper and other impurities because they use scrap.  
9 Producers that use blast furnaces can and do produce  
10 high-carbon fewer inclusions and uniform content.

11 Thank you.

12 STATEMENT OF JOHN RYOO

13 MR. RYOO: Good morning. My name is John Ryoo, a  
14 sales manager from POSCO America.

15 POSCO America imports and distributes POSCO--

16 MR. BISHOP: Please pull your microphone a little  
17 bit closer. Thank you.

18 MR. RYOO: POSCO America imports and distributes  
19 POSCO's steel wire rod. To my knowledge, POSCO accounts for  
20 most production and virtually all exports of steel wire rod  
21 from Korea to the U.S.

22 POSCO's strategy has been to focus mostly on  
23 selling high-quality wire rod, especially tire cord quality  
24 rod, for downstream manufacturers that supply the automotive  
25 sectors like Kiswire. Wire rod is a critical component of

1 car tires, engines and suspension. This means that demand  
2 is tied to the strength of the U.S. car manufacturing.

3 POSCO's wire rod has several advantages. First,  
4 it has a high carbon content at or above 80 percent that is  
5 suitable for tire cord applications.

6 Second, POSCO produces a wide diameter range  
7 between 5 and 42 millimeters. This gives us flexibility to  
8 serve our customers' needs.

9 Third, the Petitioners said in their Petition  
10 that their production processes are similar to POSCO's, but  
11 that is wrong. POSCO's four mills in Pohang all use blast  
12 furnace technology, while the U.S. mills continue to use EAF  
13 technology. EAF technology has a higher failure rate  
14 because it cannot control the residual trace elements as  
15 strictly as the superior blast furnace technology. More  
16 impurities mean a greater chance of surface cracking. Car  
17 makers particularly have exacting standards for the steel  
18 cord used to reinforce car tires.

19 Fourth, POSCO's main raw material is molten iron  
20 from its blast furnace, unlike recycled scrap metal that the  
21 U.S. mills use in their electrical furnaces. This allows  
22 POSCO to control the elements that go into wire rod steel  
23 making processes and minimize impurities in a way that scrap  
24 metals cannot.

25 With the technology and raw materials they use,

1 U.S. mills have not made commercially meaningful inroads  
2 into the tire cord segment of this market. I do not recall  
3 any time where I have had to compete for business with the  
4 U.S. mills for tire cord and bead wire. Our competitors are  
5 other foreign suppliers who can also produce tire cord  
6 quality rod to demanding performance requirements.

7 I certainly have never had to lower my price in  
8 order to meet or beat a U.S. competitor's price. If  
9 anything, the very low iron ore and coking coal prices have  
10 had the most impact on our wire rod sales prices. And yet  
11 POSCO's tire cord wire rod is around 70 percent higher  
12 priced than other quality wire rods that I have seen in the  
13 market, including from U.S. mills.

14 Finally, Korean tire companies Hankuk Tire and  
15 Kumho Tire have announced investment plans to build tire  
16 factories in the U.S. Those plans were based on the  
17 assumption that they would be able to source high quality  
18 tire cord rod from POSCO. Their investment plans are now in  
19 danger because of this case. Other downstream users are  
20 similarly concerned about what this case will do to their  
21 businesses. Thank you.

22 STATEMENT OF YOUNG KEUN HWANG

23 MR. HWANG: My name is Young Keun Hwang, the  
24 president of POSCO AAPC which consists of two plants. The  
25 first plant is a flat steel processing facility located in

1        McCalla, Alabama. The second plant is a wire rod drawing  
2        line under construction in Jeffersonville, Indiana.

3                To establish a supply chain capable of responding  
4        to the demand for high-grade steel wire in the U.S., POSCO  
5        decided to build a \$26 million dollar wire rod drawing  
6        facility in Indiana close to where potential customers,  
7        including in the automotive and bearing industries are  
8        located. These customers require high-quality steel wire  
9        even with their comparably higher price. The new plant will  
10       begin operations in July of this year. It will have the  
11       capacity to produce 25,000 metric tons of steel wire  
12       annually and will immediately create 60 new manufacturing  
13       jobs.

14               Car and bearing makers require quality assurance  
15       on not only the drawing process but also the rolling  
16       process, especially including the steel making process.  
17       These days in order to quickly respond to any failure  
18       customers require                POSCO to provide detailed reports  
19       for the whole process.

20               AAPC Indiana will not be able to fulfill the same  
21       requests from customers using domestically sourced wire rod  
22       because they cannot meet those stringent quality  
23       specifications because of the raw materials used as my  
24       colleague Mr. Ryoo just explained.

25               In addition, most local mills do not yet have the

1 quality approval from many global automotive and bearing  
2 companies, especially Japanese and Korean companies.

3 But without being able to use POSCO's wire rod,  
4 the Indiana plant cannot operate for the efficiencies that  
5 it was designed, and its expected positive effects for the  
6 local economy and for U.S. downstream manufacturers will be  
7 lost.

8 As for the high-quality captive demand that is  
9 not produced at the local mills, AAPC needs stable imports  
10 of POSCO's wire rod in the interest of the entire U.S.  
11 manufacturing industry. Thank you.

12 STATEMENT OF DAVID BOND

13 MR. BOND: Good morning. My name is David Bond of  
14 White & Case. I am appearing on behalf of the CELSA group.  
15 CELSA group has three mills in Spain that produce the  
16 subject wire rod: Global Steel Wire, GSW, CELSA Atlantic,  
17 and Compania Espanola de Laminacion.

18 Of the three mills, only GSW exported to the  
19 United States during the period under investigation. Those  
20 exports accounted for virtually all exports from Spain.  
21 Spain's exports of wire rod are very heavily focused on just  
22 two products that are used to produce auto parts: suspension  
23 spring wire rod, and tire cord and tire bead.

24 These products alone accounted for over  
25 two-thirds of Spain's exports. CELSA exports very, very

1 little conventional carbon wire rod. The suspension spring  
2 wire rod is a specialized product used to make suspension  
3 springs for cars and trucks. It is an alloy steel that is  
4 water-tempered and produced in diameters above 10  
5 millimeters and below 22 millimeters.

6 It is produced to ASTM specification A-29, Grade  
7 92-54. In terms of chemistry, the levels of silicon and  
8 chromium alloys distinguish it from other products.  
9 Production processes must be carefully controlled to ensure  
10 the surface quality and cleanliness of the steel.

11 Shipments of the product have been reported by  
12 GSW under other specialty carbon and alloy quality wire rod  
13 in question 2-10(b) of the importer's questionnaire. It  
14 does not fall under pricing product five which relates to  
15 upholstery springs.

16 Because of the critical role that suspension  
17 springs play in the performance of vehicles, suppliers of  
18 suspension springs and their suppliers of wire rod must  
19 undergo rigorous qualification processes that take many  
20 years to complete.

21 A spring producer cannot make changes in the  
22 supplier of wire rod without the approval of its customers.  
23 To be a suspension spring wire rod supplier, a mill must be  
24 committed to the product and consistently produce it in  
25 adequate volumes.



1 am appearing today on behalf of Ukrainian producers  
2 Yenakiieve Steel and its Makiivka Steel Works. I regret  
3 that Metinvest was unable to provide a company witness from  
4 Ukraine on such short notice.

5           Until very recently, Yenakiieve was a fully  
6 integrated Ukrainian steel company operating within the  
7 Metinvest Group. Yenakiieve Steel produced a wide range of  
8 metal products, including billets, angles, channels, beams,  
9 wire rod, and rebar. I refer you to the map we have  
10 provided.

11           The Yenakiieve and Makiivka Steel Works are  
12 located in the Donetsk region of Eastern Ukraine, as  
13 indicated by the green arrows on the map. Since 2014, the  
14 Donbas Region of Ukraine, including the cities of Yenakiieve  
15 and Makiivka, has become a war zone, as separatist groups  
16 backed by Russia seized the region through military action.

17           Political insecurity and loss of control of the region has  
18 been taken away from the Ukrainian Government and seized by  
19 the separatists. The resulting conflict has claimed the  
20 lives of many thousands of innocent civilians and Ukrainian  
21 soldiers. It has also had a profound negative impact on  
22 manufacturing industries in the region.

23           Critical infrastructure has been damaged or  
24 destroyed, including railways, roads, and bridges, and the  
25 conflict has directly and repeatedly impacted industrial

1 operations as factories and housing have been the frequent  
2 targets of shelling and other military actions.

3 This has directly impacted Metinvest's wire rod  
4 operations. For example, the Yenakiieve Mill was regularly  
5 shelled from August 2014 to February 2015. As a result, the  
6 core production shops and most infrastructure utilities at  
7 the plant were damaged.

8 The lime calcination and refractory shops needed  
9 major repairs. The water treatment unit of the continuous  
10 casting machine was severely damaged. Railway sections, the  
11 front-end bucket loader and a universal track machine were  
12 damaged. Buildings, the facilities, the auxiliary shops  
13 were damaged, too.

14 On August 12, 2015, McKiivka Branch also came  
15 under shelling. Shells damaged the rolling stock, gas  
16 pipelines, and power networks. This tragic situation has  
17 from the beginning presented serious hardships for the  
18 people and businesses in the region and has resulted in  
19 limited economic output and frequent disruptions to  
20 industrial operations.

21 However, at least until the beginning of this  
22 year the Yenakiieve and McKiivka Mills were still controlled  
23 and operated by the Metinvest Group, and the companies'  
24 employees were finding creative ways to continue their  
25 operations and sustain their livelihoods, albeit on a

1 considerably lower level than before the conflict.

2 As of last month, however, the situation has  
3 profoundly changed. In March 2017, unidentified armed  
4 individuals under the apparent direction of the  
5 self-proclaimed Donetsk People's Republic arrived at various  
6 Metinvest Group's enterprises, including Yenakiieve and  
7 MaKiivka, and demanded the company assets be immediately  
8 reregistered under the jurisdiction of the non-recognized  
9 republics.

10 In support of this effort, the separatists also  
11 began a systematic inventory of the plants, their equipment  
12 and stores. Employees were physically threatened if they  
13 resisted. The rebels seized over 40 different facilities in  
14 the Donetsk Region, many of them also from the Metinvest  
15 Group, including Yenakiieve Coke, Khartsyzk Pipe, Kresnodon  
16 Coal, Donetsk Coke, and others.

17 In the face of these events, and because  
18 Metinvest cannot place its employees at risk or violate the  
19 laws of Ukraine, the group determined just a few weeks ago  
20 that it was no longer possible to continue operations at  
21 these enterprises. All of the staff have been let go.  
22 Metinvest no longer operates or controls these mills and  
23 their economic future is unknown.

24 These companies employed and sustained 20,000  
25 people and their families during a time of great suffering

1 in the region. Employees affected by these most recent  
2 events are now being offered positions in Metinvest  
3 enterprises in the territory controlled by Ukraine.

4 There are recent press reports that Russian  
5 mining interests may now be seeking to take advantage of the  
6 situation by supplying the mills with iron ore from Russia,  
7 but this is uncorroborated.

8 In the meantime, the mills themselves are now  
9 beyond Metinvest's control and are not part of the Ukrainian  
10 economy. While these events are tragic on their own right,  
11 they are also highly relevant to the Commission's injury  
12 analysis. With the loss of its only wire rod manufacturing  
13 capacity in Ukraine, the Metinvest Group today is no longer  
14 a source of wire rod imports from Ukraine.

15 While I cannot get into the specific figures in a  
16 public forum like this, this event removes a very  
17 substantial portion of total Ukrainian export capacity for  
18 the foreseeable future, and perhaps permanently.

19 Thank you for your time.

20 STATEMENT OF DANIEL CANNISTRA

21 MR. CANNISTRA: Good morning. Dan Cannistra with  
22 Crowell & Moring on behalf of the Negligible Respondents.

23 As a preliminary matter, it is critical to note  
24 that this case involves two separate matters requiring two  
25 distinct negligibility tests.

1           As explained by the Commission in Wire Rod From  
2 Germany, and more recently reinforced in Cold Rolled Steel  
3 from Russia, there is no cross-cumulation for negligibility.  
4 In this case, that means that a separate negligibility  
5 analysis must be undertaken in the CBD case for Italy and  
6 Turkey, because they are the only countries in the CBD case.

7           When the data is properly analyzed, Turkey is  
8 above the negligibility threshold, while Italy is below.  
9 Because Italy is below the 3 percent threshold, it is alone  
10 negligible with regard to the CBD case.

11           As to the eminently exceeding standard, we refer  
12 the Commission to the capacity utilization rates in Italy  
13 which we will address in more detail in the post-conference  
14 brief. We also note that in Italy the vast majority of  
15 productive capacity is dedicated to captive uses within  
16 Italy itself.

17           In the antidumping case, it would be appropriate  
18 to decumulate the individually negligible countries.  
19 Cumulation is appropriate in light of the conditions of  
20 competition among the importer products. All the  
21 individually negligible countries show patterns distinct  
22 from the non-negligible countries--most notably, imports  
23 from the negligible countries have been sporadic with market  
24 shares measured in fractions of a percentage.

25           Therefore, the individually negligible countries

1 should be decumulated by the Commission. We will be  
2 addressing the issue of negligibility in greater detail post  
3 brief.

4 STATEMENT OF RICHARD O. CUNNINGHAM

5 MR. CUNNINGHAM: I'm Dick Cunningham with the  
6 Law Firm of Steptoe & Johnson, and our firm, over the years  
7 have represented Petitioners as well as Respondents.

8 I mention our firm's with Petitioner  
9 representations because it makes clear to me that in this  
10 case Petitioners haven't done the homework that you need to  
11 do before bringing a case to this Commission.

12 The first thing we do when a potential  
13 Petitioner comes to us is we look at the recent Commission  
14 decisions on similar products. We identify the  
15 methodologies that the Commission has used in analyzing  
16 those cases and we apply them to the facts brought to us by  
17 the domestic companies.

18 Here you have had a set of steel cases over the  
19 past two years. In those cases I submit that the Commission  
20 has adopted a quite consistent set of methodologies for  
21 analyzing price affects, for analyzing volume affects. What  
22 is astonishing is that application of those methodologies to  
23 the facts of this case compel negative determinations on all  
24 of those issues.

25 Let's start with price affects because you'll

1 look at this record and it's clearly a price problem that  
2 these people have. In the steel cases, you found declining  
3 prices and you found a preponderance of underselling, but in  
4 each case both the staff and the Commission concluded that  
5 subject imports caused no price depression and no price  
6 suppression. Prices had to decline because the even sharper  
7 declines in raw material prices.

8 That's exactly what you will find here, and I  
9 commend to your attention the charts that Mr. Nolan has  
10 submitted comparing the trends of wire rod prices with the  
11 trends of raw material prices. The sharper the decline in  
12 raw material prices is evident. The earlier decline in raw  
13 material prices is evident. The affect on wire rod prices  
14 is crystal clear.

15 On the subject of price suppression, you do as  
16 you always do, and that is you look at the COGS to Sales  
17 ratio, and in those cases you found that there was no  
18 significant deterioration in that ratio, ergo, no price  
19 suppression. You'll find the same thing here. And by the  
20 way, I'll have a little couple things to say about that when  
21 I do the closing statement later.

22 In the steel cases in the last two years one of  
23 the major elements of the analysis was on the volume side  
24 and it had to do with market share. The Commission found  
25 that U.S. industry market share had declined and it was loss

1 of market share to imports. That is, decline in market  
2 share as caused by imports that they found as an essential  
3 element of their affirmative determination. You won't find  
4 that here. You won't find that because there is no  
5 significant decline in domestic producers' market share over  
6 the POI.

7 Yes, subject import market share increased, but  
8 as Mr. Nolan mentioned, it is abundantly clear that the  
9 subject imports took market share, not from domestic  
10 producers, but from other imports. The correlation is  
11 absolutely clear. So candidly, I would advise that these  
12 companies not bring these cases. If you have no  
13 import-caused price affects and no import-caused volume  
14 affects, you're not going to win your case.

15 Let me say one more thing about market shares.  
16 The Petitioners in their Appendix I-11 to their petition  
17 they've given you an interesting document because it shows  
18 the domestic shipments of those Petitioners. You now have  
19 shipments by all U.S. producers. Compare the two. I think  
20 you're going to find, and there was testimony today of  
21 intra-industry price competition. I think that you're going  
22 to find that there's some significant shift from one segment  
23 of this industry to another segment of the industry that  
24 suggest that intra-industry competition is a significant  
25 problem in this case.

1                   Now I'm going to turn this over to my partner,  
2 Tom Trendl, who's going to talk about some issues,  
3 particularly, to our client, British Steel. British Steel  
4 is a new company. It's only been going for a year and a  
5 half. It acquired the facilities and operations in the lawn  
6 products area, including wire rod from Tata Steel UK, but it  
7 has restructured them. It has turned them around from a  
8 loss operation to a profit-making operation and they're  
9 moving rapidly toward a total focus on the type of high-end  
10 products like tire cord and tire bead, which you've just  
11 heard the U.S. industry cannot supply. And this is not a  
12 company that you will find is -- whatever you may have  
13 thought of Tata Steel it is not a company that you will find  
14 is affect to the U.S. industry. So let me turn it over to  
15 Mr. Trendl for some thoughts on some issues that are of  
16 particular importance to British Steel.

17                   STATEMENT OF THOMAS J. TRENDL

18                   MR. TRENDL: This is Tom Trendl.

19                   The first thing I want to do is correct  
20 something that Mr. Cunningham just said. British Steel has  
21 not been around for a year and a half. It's been around  
22 since July 1, 2016, point of order.

23                   You've heard a lot today from a number of  
24 companies, from a number of countries about the distinct  
25 properties of tire cord and tire bead. The UK produces tire

1 cord and tire bead. We believe it is a distinct and  
2 different-like product and while we don't believe there are  
3 grounds to have an affirmative preliminary determination,  
4 should you go further you should seriously consider looking  
5 at this as a different-like product.

6 The six factors you look at have been discussed  
7 already and there's been a lot that's changed, and I'm  
8 cognizant of what happened in 2002 in the older case and the  
9 fact that in China a recent case in 2014 you included tire  
10 cord and tire bead in that case as well. That really wasn't  
11 argued in the China case. It was argued in the 2002 case  
12 and I think what you're going to find is a lot has changed.  
13 You've heard a lot about that today already.

14 Fundamentally, you've heard that in order to  
15 produce the clean and consistent and high quality tire cord  
16 and tire bead product demanded by tire producers you need to  
17 have a BOF furnace, and electric arch furnace cannot do the  
18 job. The U.S. operations are electric furnaces. They can't  
19 make the product the right way.

20 The Georgetown Plant, which you heard earlier  
21 today, which was owned ArcelorMittal, which did make some of  
22 that product closed. The uses have changed in the  
23 automotive industry as well, as we've moved away from  
24 smaller tires to larger tires with correspondingly higher  
25 demand products that go into making that, so a lot's changed

1 in the 15 years. And I think, with all due respect, it's  
2 time to revisit that issue.

3 A couple of words about the United Kingdom, the  
4 distinct nature of its products and the tire cord, tire bead  
5 is also manifested in the data and information that you've  
6 collected. And I suggest you know take a look at how many  
7 of the Petitioners actually make tire cord, tire bead. Take  
8 a look also at how many of the non-Petitioners make tire  
9 cord and tire bead and how much they really make.

10 And finally, when you look at the lost sales and  
11 lost revenue, I think you're going to find an absence of a  
12 lot of overlap and I think that's relevant to how you  
13 approach these issues. No matter how you look at it and we  
14 don't see that there is an injury case to be made here. We  
15 support the negligibility arguments made by others. We also  
16 support the decumulation for purposes of threat. And I'll  
17 leave it at that and turn it over to Mr. Nolan.

18 MR. NOLAN: Alright, thank you. Can we get a  
19 quick time check?

20 MR. BISHOP: You have three minutes remaining.

21 STATEMENT OF MATTHEW M. NOLAN

22 MR. NOLAN: Alright, well, we got three minutes,  
23 so we're going to go quick.

24 I just want to make a couple of quick points.  
25 Mr. Cunningham actually alluded to the charts that we've

1 submitted to the Commission staff. This is index data to  
2 protect the guilty and to make sure we don't violate any  
3 copyrights. This based mostly on American Metal Market  
4 data. You can see two simple things you want to note with  
5 these charts. It's just three different looks at the same  
6 data points, one wire rod prices track scrap prices. The  
7 correlation is unmistakable. It's there. You can see it,  
8 the trend lines no matter which way you look at these  
9 charts, how you slice them up, you can see that trend.

10 The other thing that is worth noting is that the  
11 spread increased during the POI. Why would it increase  
12 during the POI unless U.S. producers are resisting price  
13 decreases and can afford and have leverage to maintain  
14 pricing even though scrap prices are declining? I suggest  
15 that that's a question the Commission should delve into a  
16 little bit. It is very clear there is a correlation, a very  
17 strong correlation with scrap prices, but it is also very  
18 clear and the witnesses today have alluded to this that the  
19 U.S. industry manages to avoid price drops wherever they  
20 think they can get away with it.

21 So a couple other quick thoughts, one, you know,  
22 I have to question whether wire rod is a big priority for  
23 the U.S. industry here. Most of these mills make rebar.  
24 And of course, I'm the rebar guy for Turkey and we actually  
25 arguing the rebar case in about a month, but the same mills

1 that some of these people produce wire rod on produce rebar  
2 and rebar is a more basic product. It is not the tire cord.  
3 It is not the stuff you use on the high-end applications.  
4 So do they have the capacity to make that higher end  
5 product, I don't think so.

6 The Petitioners have already alluded in their  
7 original remarks to the closure of some mills. We would  
8 like to comment in Question & Answer on the closure of one  
9 of those mills in Georgetown, which had absolutely nothing  
10 to do with subject imports. Thank you. We will reserve  
11 time and be happy to answer questions.

12 MR. ANDERSON: Thank you, counsel and to all our  
13 witnesses who are here today, for your time and your  
14 testimony. We would now like to turn this over to staff to  
15 ask a few questions and we'll start with our Investigator,  
16 Mr. Michael Szustakowski.

17 MR. SZUSTAKOWSKI: Hello. I would also like to  
18 thank everybody for doing here today. It's helpful to hear  
19 your testimony and the opportunity to ask you questions.

20 My first question will generally be directed to  
21 counsel and it's about the use of official import statistics  
22 for the report. Is there any ambivalence about using  
23 official import data for the purpose of evaluating imports  
24 apparent consumption, et cetera, or any concerns about that?

25 MR. CUNNINGHAM: I think you need to use import

1 data certainly for the non-subject imports. Non-subject  
2 imports are a big thing in this case and the relationship  
3 between subject and non-subject imports is important for you  
4 to analyze and you don't have real data on non-subjects if  
5 you don't use the imports. Whether you use the U.S. Census  
6 data or the questionnaire data for the subject imports,  
7 frankly, I'm always in favor of using questionnaire data,  
8 assuming you think you have good coverage from the  
9 countries.

10 If there are countries here that are not giving  
11 you data, then maybe you have to do import Census data for  
12 that too, but you're going to have to get that comparison  
13 between subject imports and non-subject imports and that's  
14 going to take you, at least, in part, into the Census data.

15 MR. SZUSTAKOWSKI: Anyone else want to weigh in?

16 MR. CANNISTRA: Dan Cannistra on behalf of the  
17 negligible Respondents.

18 I believe that the Census data and the import  
19 data itself show negligibility for a number of countries,  
20 particularly, with respect to Italy in the countervailing  
21 duty case, but we'll certainly be commenting more on the  
22 comparisons between the port questionnaire data and the  
23 Census data in the post-supplemental submission.

24 MR. SZUSTAKOWSKI: My other question is that we  
25 a 10-country investigation. I think we issued probably

1 about a hundred questionnaires by email, fax, et cetera, to  
2 foreign producers. It would be helpful if you all were able  
3 to weigh in on the coverage for each of the subject  
4 countries.

5 I want to note that we don't have a  
6 questionnaire response from any producers in Russia right  
7 now. If there's an extent to which you can perform some  
8 form of outreach to assist and have them provide a response  
9 that would be appreciated. That is one gap, but I'd also  
10 like to see what -- you know how you guys would deem  
11 coverage and have that addressed in your briefs. So that's  
12 the basic technical questions that I wanted to cover.

13 So domestic-like product we've seen from other  
14 wire rod investigations that the Commission has expanded the  
15 definition beyond the scope to include 1080 cord wire rod.  
16 I believe that was in the 2002 investigation and 2005 the  
17 scope was written such that it did include the tire cord  
18 rod. So you're saying -- I believe it was Mr. Trendl was  
19 saying that there's been changes since then, so is the  
20 change essentially that there is no longer BOF production in  
21 the U.S.? Is that what it boils down to? I'm just  
22 interested to know can an EAR not make tire cord wire rod.  
23 Is it prohibited from doing that?

24 MR. TRENDL: This is Tom Trendl.

25 From a technical point of view, there are a lot

1 of people at this table that are a lot smarter than me about  
2 making tire cord and tire bead, and I encourage them to  
3 answer that question. It is one of the things that's  
4 changed and what you've heard today is in order to get the  
5 consistent, clean, and purity-free to spec product, it needs  
6 to be made on a BOF, not an EAR, but I respectfully suggest  
7 that the industry people answer that question.

8 MR. CAMERON: Don Cameron.

9 Look, I mean in his introductory remarks Mr.  
10 Price said most of this case really covers only conventional  
11 low, medium, and high carbon. Well, the 1080 isn't  
12 conventional low, medium, and high carbon. His producers  
13 can't make it. They don't make it and so this is sneaking  
14 this in. And I get that there've been prior decisions by  
15 this Commission, but one of the reasons that Mr. Minnick  
16 mentioned the statement in the Chinese decision in 2014 was  
17 that you relied on the fact that Arcelor claimed to be  
18 producing this wire rod for tire cord and tire bead.

19 Number one, they weren't making 1080. It was a  
20 lower grade for smaller tires. They're not doing the  
21 smaller tires now and they couldn't make 1080 and that is  
22 what our witness testified to, so the basis on which you  
23 declared that there was a continuum, which we're always  
24 hearing about at the Commission. No, you can't have a  
25 separate like product 'cause it's all a continuum. Well,

1 I'm sorry, but if they can't produce it because they don't  
2 have BOF, right, that's not a continuum for them. That's a  
3 cliff. That interrupts the "continuum" for the like  
4 product, so that is what we're saying. And I don't think  
5 that the Commission previously has focused on the fact that  
6 now it is an EAF industry here. There were a lot of reasons  
7 for that conversion and it's been very advantageous for the  
8 industry, but there are still products that require BOF in  
9 order to make them and this product is one of them.

10 MR. SZUSTAKOWSKI: What I'd like to know then is  
11 are there subject producers that make 1080 or tire cord wire  
12 rod with an EAF? Is that something that anyone can answer  
13 now or is that best answered in a brief?

14 MR. MINNICK: Dave Minnick.

15 No, there's not anyone making it. I just want  
16 to make one comment that I recently have contacted the  
17 Petitioners about tire cord and bead and we're meeting with  
18 one of them that says they want to see our spec, but they  
19 can't make it. The other two said they're not in the  
20 business to make tire cord and bead wire steel.

21 MR. SZUSTAKOWSKI: So for these spec sheets do  
22 the spec sheets designate the physical properties of the  
23 tire cord or do they also designate the manufacturing  
24 process and how it's made?

25 MR. MINNICK: Basically, with the spec sheet it

1 spec what they want in theirs as far as breaking strength,  
2 tinsel strength, elongations, everything that is required in  
3 this rod. Some actually do require saying -- just recently  
4 we got one that said they want a 95 carbon, which nobody  
5 right now is using 95 carbon, but in the steel cord industry  
6 the strength of the wire is getting stronger and stronger  
7 and stronger to the point that I know for a fact in Korea  
8 there's somebody requesting a hundred percent carbon, which  
9 is basically .1 percent of carbon, but we just say a  
10 hundred percent carbon in the industry, so it is specified  
11 on the sheets, yes, in some cases.

12 MR. HUGHES: This is Terry Hughes from Bekaert.

13 Additionally, the chemistry is very stringent,  
14 so low residuals are always specified for copper, for  
15 harmonium, elements that that make it very difficult to draw  
16 the material. And as we know, you melt the cars and the  
17 scrap and these types over and over again the copper and  
18 these types of elements just continue to climb and it's a  
19 concern in the industry, even for regular drawing material,  
20 not even steel tire cord, that eventually you have to have  
21 an influx of ore material to reduce or dilute the actual  
22 impurities in the steel.

23 MR. SZUSTAKOWSKI: Mr. Stauffer and Mr. Johnson,  
24 I believe you each also purchase tire cord. Is there  
25 anything you'd like to add to this?

1 MR. JOHNSON: John T. Johnson.

2 We do not produce tire core, but we have another  
3 application that prefers a BOF steel because of the  
4 properties that it gives for their application.

5 MR. SZUSTAKOWSKI: What application would that  
6 be?

7 MR. JOHNSON: It's a copper-clad steel for the  
8 cable industry.

9 MR. SZUSTAKOWSKI: And is that same issue with  
10 the tire cord in that it's --

11 MR. JOHNSON: It's not quite as stringent, but  
12 it's a high grade that in their process the BOF is much more  
13 successful.

14 MR. SZUSTAKOWSKI: Is there a like product  
15 argument being made about that product too or are we talking  
16 exclusively about tire cord in terms of the Commission?

17 MR. JOHNSON: Talking about tire cord.

18 MR. SZUSTAKOWSKI: Okay, Mr. Stauffer, did you  
19 want to weigh in?

20 MR. STAUFFER: We do not purchase a tire cord  
21 quality wire rod in the industry. Our industry -- we do not  
22 purchase this product, this tire cord, tire bead product.  
23 All of our products are in the area of concrete  
24 reinforcement, so we go from a 1008 to low carbon. We'd  
25 actually have 1080 product for PC-strained in large -- it

1 comes to us in large diameter, 11 millimeter sizes, 80  
2 carbon to it, but nowhere near the specifications of the  
3 tire cord tire bead.

4 MR. GOLDFEDER: Mr. Szustakowski, this is Jarrod  
5 Goldfeder with Trade Pacific.

6 In one of the Petitioners' supplements there was  
7 a statement that POSCO in Korea is using EAF technology in  
8 its wire rod production and that's not true. The four mills  
9 that POSCO has in Pohang are all using gas-furnace  
10 technology for their wire rod and for their tire cord. And  
11 as you heard in the remarks earlier, I would expect the  
12 claim you'll hear later is, sure, we could make this using  
13 EAF if we could -- if we wanted to.

14 I think what you'll find is you have stringent  
15 requirements by the auto manufacturers that's all rolling  
16 upstream and in POSCO experience and what they're seeing in  
17 the U.S. market companies are not going to want to buy --  
18 even if you could produce a tire cord using EAF, no one  
19 would want it because of what you've heard of all of the  
20 impurities. It just wouldn't have the strength that all of  
21 the downstream users are going to require.

22 MR. SZUSTAKOWSKI: Thank you for that.

23 MR. HUGHES: Could I add one other thing? We at  
24 Bekaert also requires a low carbon BOF supplier for  
25 bookbinding wire for some of the notebooks, the binding

1 notebooks and our customer refuses to use the EAF steel and  
2 also automotive springs for car hoods and these types of  
3 things and for seat recliners we have to a have 1065 BOF or  
4 our customers refuse.

5 MR. SZUSTAKOWSKI: And that too is only  
6 available from BOF?

7 MR. HUGHES: Correct. EAF it won't make the  
8 application. It breaks.

9 MR. SZUSTAKOWSKI: Mr. Johnson was testifying  
10 before that demand for wire rod in the U.S. has been  
11 decreasing probably as a result or attributed to you know  
12 these trade cases and I would just be interested does  
13 counsel have access to the BPI record and also the  
14 historical information from other investigation. Right now  
15 when I look at our data I kind of see where we have  
16 available at the moment for this investigation is that  
17 apparent consumption seems to be relatively flat, so I just  
18 want to make sure that we have a better understanding of  
19 what the trends are in apparent consumption. If, in fact,  
20 is it flat or is it actually going down and I was just  
21 trying to square up Mr. Johnson's testimony about  
22 decreasing consumption and what Mr. Stauffer was saying in  
23 that you -- Mr. Stauffer, you were telling us about new  
24 investments and new plants. We've also heard what sounds  
25 like growing demand for more tire cord in the U.S. due to

1 expansion in the tire manufacturing facilities. So demand  
2 flat; is it decreasing; do you guys see an upward trajectory  
3 for you know all wire rod? I'm just trying to understand  
4 what really the demand trends are and where things might be  
5 going.

6 MR. WAITE: This is Fred Waite, counsel for  
7 AWPA.

8 We can address that in our post-conference. We  
9 do not have access to the APO since we represent only  
10 industrial users and Congress, in its wisdom, decided that  
11 they were not worthy of the kind of participation in these  
12 investigations that Petitioners are. But generally, if you  
13 look at consumption figures from your own reports in cases  
14 back in the 1990s, for example, and compare those  
15 consumption figures with consumption figures from more  
16 recent cases or from the data that we collect from AISI  
17 sources as well as official import statistics, you will see  
18 an significant reduction in the consumption of wire rod in  
19 the United States.

20 And I don't think there's any inconsistency with  
21 that overall assessment and the testimony you heard here  
22 today. These companies are companies that often sell into  
23 niche markets. They're looking for opportunities. They  
24 must be nimble because they don't have the resources to  
25 continue operating in the red. They must find products that

1       they can sell, but as Mr. Johnson pointed out extensive  
2       parts of the U.S. manufacturing sectors have been decimated  
3       by imports of wire products. And when that happens wire  
4       sales in the United States decline and of course wire rod  
5       purchases corresponding decline as well and we can give you  
6       a great deal of information on those points in our  
7       post-conference brief, most of which is going to be public  
8       data, most of which is going to be from your own reports and  
9       investigations in previous case. Thank you.

10               MR. SZUSTAKOWSKI: We heard Mr. Price in his  
11       opening remarks say that the captive consumption provision  
12       applies in these investigations. Does counsel want to  
13       comment on that now? I think since the completion of the  
14       China investigation we've seen that the three factors that  
15       the Commission typically considers is now down to two, so I  
16       would appreciate if you can comment now about this or is  
17       this something that we'll be seeing in the briefs?

18               MR. NOLAN: We'll address it in the briefs.

19               MR. SZUSTAKOWSKI: Okay.

20               Mr. Johnson, with your inventories do you manage  
21       inventories as such that you know what the source country is  
22       of the goods?

23               MR. JOHNSON: Absolutely. It's segregated by  
24       size and by country and by grade.

25               MR. SZUSTAKOWSKI: And will Mr. Stauffer and

1 others be able to provide just how large of a market the  
2 "Buy America" provisions account for? You testified on this  
3 before and I don't know you were then a bread box, smaller  
4 than a school bus, like how big are we looking at here?

5 MR. STAUFFER: I'd say bigger than a bread box  
6 would be an appropriate answer.

7 MR. SZUSTAKOWSKI: We'll have more detailed  
8 information in the briefs?

9 MR. STAUFFER: Yes, we can provide more detailed  
10 information. Our business runs on that provision and  
11 essentially that's a function of the infrastructure, the  
12 legendary U.S. infrastructure that needs help. So when we  
13 talk about our capital expansion programs, it's in  
14 anticipation of the fact that there's going to be some  
15 requisite legislation required to get this country moving  
16 forward with those projects. So what we're doing in most of  
17 our time, referencing your previous question, is to make  
18 that more efficient and to expand that capability in  
19 consideration of a market that should open up given the  
20 nature of our infrastructure and the requiring fixing that  
21 is there.

22 MR. SZUSTAKOWSKI: Would other importers like to  
23 weigh in on there inventories, whether or not they also,  
24 like Mr. Johnson, track it by country source?

25 MR. HUGHES: Bekaert tracks by country source

1 and type of product manufactured.

2 MR. MINNICK: Kiswire also tracks by import from  
3 country and by grade.

4 MR. MOFFITT: Bob Moffitt, Heico Wire Group.

5 We do, but -- I mean we know where everything is  
6 -- size, grade, heat, country of origin.

7 MR. SZUSTAKOWSKI: So when you all are selling  
8 the product then you actually know when you're customers  
9 buying it ^^^ you know on an individual sale where the  
10 country source is, where it was actually made -- where the  
11 wire rod was made? Do you ever on an individual sale for  
12 the same product commingle both U.S. produced and imported  
13 merchandise?

14 MR. JOHNSON: John T. Johnson.

15 Yes, depending on the spec of the customer  
16 whether it requires domestic or not content, but we're ISO  
17 certified, so we have complete tractability from the minute  
18 we receive that material until the minute we deliver it to  
19 our customer. It's part of our qualification.

20 MR. SZUSTAKOWSKI: Are others ISO certified as  
21 well and do you have to meet that same standard?

22 MR. HUGHES: Terry Hughes from Bekaert.

23 Yes, we would.

24 MR. MINNICK: Dave Minnick from Kiswire.

25 Yes, we are also ISO certified.

1 MR. MOFFITT: Bob Moffitt, Heico Wire Group.

2 Some of our plants are; others are not.

3 MR. SZUSTAKOWSKI: Mr. Bond, were you making  
4 additional like-product argument in regard to the suspension  
5 spring, was I understanding that correctly, or is this an  
6 attenuated competition argument? I just want to make sure  
7 we know what to expect.

8 MR. BOND: David Bond.

9 No, we're not making a like-product argument,  
10 attenuated competition and a strong basis for not cumulating  
11 Spain in any threat analysis.

12 MR. SZUSTAKOWSKI: Thank you.

13 Looking at the import trends, I'm specifically  
14 interested in those for Korea, Turkey and the UK and that  
15 there are declining imports from 2014 to 2016. Can counsel  
16 comment on why we saw a decrease in import volume from those  
17 three countries specifically?

18 MR. NOLAN: I'll start for Turkey, then UK can  
19 take over. For Turkey you saw an increase in an interim  
20 period, which is reflecting pretty much the Chinese exiting  
21 the market in very smart fashion so a hole gets created.  
22 But the Turks have a lot of other markets. They ship this  
23 product to over a hundred countries.

24 And the U.S. is decidedly a very small  
25 destination, besides which the Turks consume about 80 to 85%

1 of the rod they make internally inside of Turkey. So the  
2 market there has been pretty good and it's been improving  
3 lately, and the other markets they ship into, Europe and  
4 other places, have also improved. So they found other  
5 places to put the rod that was more favorable to them  
6 frankly.

7 MR. TRENDL: From the perspective of British  
8 steel, as you heard, the company was bought by the current  
9 owners, so there was some flux there. Also the company  
10 changed its products mix to get away, frankly, from the  
11 commodity-grade stuff to a greater focus on tire bead and  
12 tire cord as they felt it was a better business model, the  
13 result of which is an overall decline.

14 MR. SZUSTAKOWSKI: So when it was Tata, were  
15 they making tire cord before, or is this -- in, say 2014 --

16 MR. TRENDL: Yes, they did.

17 MR. SZUSTAKOWSKI: Okay. So it's been  
18 consistently in their product portfolio then?

19 MR. TRENDL: Correct. But they've changed the  
20 balance to get out of -- or reduced the mix from the  
21 commodity to a greater reliance on the tire cord tire bead.

22 MR. SZUSTAKOWSKI: Thank you. I think that  
23 concludes my questions for now. I look forward to reading  
24 your arguments in the briefs.

25 MR. ANDERSON: Thank you, Mr. Szustakowski, and

1 now Ms. Viray-Fung.

2 MS. VIRAY-FUNG: Thank you for being here.  
3 Let's kick off with domestic like product. It's sounding  
4 like I'm hearing some domestic like product arguments. I'd  
5 like to hear from counsel. How would you like us to define  
6 the domestic like product?

7 MR. TRENDL: I think others may want to chime  
8 in. For the UK's point of view, tire cord tire bead should  
9 be a separate like product. You've heard a lot about it  
10 today, about its uses, its interchangeability, its technical  
11 specs, how it's produced. We're going to expand upon that  
12 significantly in our confidential post conference brief. I  
13 assume others will do the same. And that's where we stand  
14 on that issue.

15 MR. CAMERON: We take the same position. It is  
16 Grade 1080 and above for wire rod for tire bead and tire  
17 cord. And we believe that the six-factor test is met. And  
18 this is especially so if the EAF producers cannot make Grade  
19 1080 and above in an EAF. Because there is no continuum for  
20 them.

21 So to the extent that there was information on  
22 the record previously that was used to build that bridge,  
23 that bridge no longer exists. And as a result, it's  
24 incumbent upon this Commission to recognize that in its  
25 decision.

1                   We understand that these are unusual requests to  
2 be granted, but actually in this case, we think it's a sound  
3 one. And it shouldn't be taken lightly. I mean there are a  
4 number of jobs, both in the tire cord, bead, and bead wire  
5 industry that we've already testified to, and others have  
6 testified to. A lot of jobs. Right? We're not talking one  
7 or two people, we're talking hundreds.

8                   And then you go into the tire producers. The  
9 tire producers are going to get something one way or the  
10 other, and if they can't get it here, they're either going  
11 to import the tire cord directly and kick these guys out,  
12 and/or the tire people are going to stay offshore and get  
13 their requirements there. It's a serious problem and it's  
14 really not part of the -- what was the quote?--the  
15 "conventional low, medium and high grade wire rod that's  
16 really subject to this petition." Okay. I get it. This  
17 isn't conventional.

18                   MR. CUNNINGHAM: I suspect I'm telling Noah  
19 about the flood here, but we're not asking--and it would be  
20 contrary to the Commission's approach to these things in the  
21 past--to say you ought to take a production process and  
22 create a separate like product defined by that production  
23 process. That is, you ought to say that BOF-produced stuff  
24 is a separate like product.

25                   Commission doesn't usually do that. People

1 shift things around from within a particular production  
2 process. What you do, it seems to me, is you find out a  
3 particular set of specifications, grade, chemical  
4 specifications, strengths, sizes, things like that, and if  
5 you find a definition that is not made in the United States,  
6 that has separate applications from other wire rod that is  
7 made with different production processes, but not  
8 necessarily on a different mill, and it's sold to different  
9 types of customers, then you've got a pretty darn good case  
10 as we think we have here for cord and bead, to define by  
11 those specifications a separate like product.

12 The fact that the U.S. industry doesn't have BOF  
13 and the BOF makes those specifications more readily, indeed  
14 maybe the only way to make them satisfactorily to customers  
15 is evidence that the type of specification should be  
16 excluded, but not that the exclusion should be defined by  
17 BOF. It's the significance of BOF is that the U.S. industry  
18 doesn't have it. And therefore, it addresses the  
19 availability of that specification in the U.S. market from  
20 U.S. producers.

21 MS. KORBEL: I'd also like to point out that the  
22 petitioners in the 2001 cases voluntarily excluded the tire  
23 bead, cord, wire rod, and I believe the valve spring wire  
24 rod as well from the cases in 2001. The petitioners  
25 themselves agrees to exclude those products.

1                   MR. CAMERON: Just one further thing with  
2                   respect to Dick's remark. And that is that the reason that  
3                   we're talking about BOF is Number One, they don't have it  
4                   and they're incapable, but Number Two, the manufacturing  
5                   process and manufacturing facilities is one criteria that  
6                   you take into account in evaluating the like product issue.

7                   So it is relevant in that evaluation to look at  
8                   that and ask whether or not in the United States they're  
9                   indeed is a continuum that continues on through 1080 and  
10                  above, because this spec is getting more and more difficult,  
11                  and if they can't produce it, how is the law or the logic of  
12                  the like product being served? And that's the point.

13                  MR. GOLDFEDER: I just want to add that POSCO  
14                  will be taking the same position on like product as we've  
15                  just heard. And I think when the Commission looks at tire  
16                  cord, tire bead, as a separate like product, you're going to  
17                  find no meaningful head-to-head competition for this  
18                  product.

19                  When you have no head-to-head competition, you  
20                  can't have adverse volume effects. You can't have adverse  
21                  price effects. You can't have an impact that's caused by  
22                  subject imports, and you could have no threat, so you should  
23                  find no injury by reason of these imports.

24                  And just following on what Mr. Cameron said, the  
25                  same thing -- that even if the domestic industry says,

1 "Well, we could produce it with EAF, and the commercial  
2 quality would be the same," that's just not true. And  
3 you've heard the purchasers say that, and you'll hear anyone  
4 say it. Even if you did, it would not be interchangeable  
5 with tire cord produced with BOF, and that's why you haven't  
6 seen, like POSCO hasn't seen why anyone -- no one's seen any  
7 sales in this market, or any meaningful participation in  
8 the tire cord segment of the market by the U.S. mills.

9 MR. BOND: Just before you move on, CELSA, also  
10 a producer of rod for tire bead and tire cord, supports the  
11 position of the other parties, just so you're clear on that.

12 MS. VIRAY-FUNG: I guess I'm a little bit  
13 confused. What has changed in the last few years? I mean  
14 why -- is it the specifications have changed?

15 MR. CAMERON: Well, let's -- just for a moment,  
16 when you talk about change, this product, the 1080 and  
17 above, was excluded from the 201. It was excluded by the  
18 petitioners in previous cases. The only change occurred in  
19 China when they decided that they were going to include it.  
20 And so that is the change, but in one sense.

21 The other change that happened is that, to the  
22 extent that Arcelor's facility produced tire cord wire for a  
23 small tire, that industry is gone from the United States and  
24 so there is no more tire cord that's manufactured here that  
25 will meet the needs of the large producers such as

1 Continental, Bridgestone, etcetera, etcetera.

2 MR. CUNNINGHAM: You mean, when you say the  
3 industries, what, you mean the small tire --

4 MR. CAMERON: Right.

5 MR. CUNNINGHAM: -- industry is gone. And  
6 therefore the stuff that would be suitable for small tires  
7 is the below 1080.

8 MR. CAMERON: The 1080, right.

9 MR. CUNNINGHAM: And the 1080 and above has to be  
10 there to do the large tires, and that's what we do in the  
11 United States now.

12 MR. HUGHES: Also the specifications on tires,  
13 the wires are much stronger than they used to be, and much  
14 smaller in the cords than they used to be.

15 MS. VIRAY-FUNG: Used to be? How long ago? Two  
16 years ago --

17 MR. HUGHES: 2000 -- oh. Probably in the last  
18 three to four years they've even become more sophisticated.

19 MS. VIRAY-FUNG: And the exit of ArcelorMittal,  
20 that was since the China cases?

21 MR. CAMERON: That was 2015.

22 MS. VIRAY-FUNG: Okay.

23 MR. NOLAN: Since we're on that note, can we  
24 talk just for a second about why that mill closed?

25 MR. MINNICK: I'm actually from South Carolina

1 and have been to Georgetown Mill many, many times and used  
2 their rod for bead wire and not tire cord. And because tire  
3 cord, if you look at the samples that I gave, you can see  
4 how small that wire becomes. But I did use it for a long  
5 time and worked with them to try to produce a 1080, but they  
6 never could.

7 The reason the mill closed, they said, was  
8 because of too much competition in the industry, but the  
9 reason they closed is right -- there's the Cooper River that  
10 runs down beside this mill, and there's a bay that was built  
11 in there for the Georgetown. Georgetown used the DRI and  
12 had their own DRI-producing plant, and they sold all the  
13 equipment.

14 They started trying to use DRI again and they  
15 imported it back in. They could not get a large ship in the  
16 bay because of build-up of scale, build-up on moss and  
17 everything else in the bay and the State of South Carolina  
18 refused to dredge it out. So they had no way to make steel.  
19 So that was the reason they closed Georgetown Steel, not  
20 because of imports coming into the United States.

21 MR. STAUFFER: Our primary plant is in North  
22 Carolina where we started. Our founder of our company is  
23 contemporary with Mr. Willy Korf, who helped build that  
24 mill, and Mr. Ken Iverson at Nucor, who was a part of those  
25 discussions back in the day to consider building that mill.

1 We've been joined at the hip with Georgetown for many years.  
2 The last time I looked at it, when they were running at  
3 capacity, that they indicated we were probably 20 to 25% of  
4 their production on a monthly basis.

5 Mr. Minnick's correct in the river problems.  
6 That's an Army Corps of Engineers' issue as to whether or  
7 not you dredge or not dredge a particular river. When they  
8 lose that access, they lose the inflow of this raw  
9 materials. It still comes, but it comes through alternative  
10 ports. Then it has to be transported from that alternative  
11 port to the facility itself. We estimate that that costs  
12 maybe \$50 or \$60 a ton. In their raw material costs  
13 acquisition, that puts them at a disadvantage relative to  
14 the domestic industry that they're competing with.

15 And while this is going on, our friends at Nucor  
16 decided to build a new mill in Darlington, South Carolina.  
17 They spent everything they could on that new mill, in terms  
18 of technology and built a fine facility and we compliment  
19 them for that. But it does take their cost structure and  
20 make it appreciably different than the one in Georgetown.

21 So there has to be a contributing factor in two  
22 mills in South Carolina and their ability to service the  
23 market, in the local market particularly, in a  
24 cost-competitive fashion. So I'd suggest that the industry  
25 itself has helped Georgetown in Georgetown, South Carolina,

1 close its doors.

2 MS. VIRAY-FUNG: Thank you.

3 MR. KEUN HWANG: I think we need to think  
4 critical issue -- there are three critical factors to effect  
5 wire iron quality. First impurity and non-metallic inclusion  
6 and separation.

7 These three factors -- POF can control the  
8 impurity, but ECF is difficult. And the other one is  
9 non-metallic inclusion and separation. Most of the  
10 integrated --including POSCO, -- but unfortunately, for  
11 competition in America, they're, they do not have the big  
12 size billet cast they rely on the small size billet cast.  
13 So small size billet caster can be moved on non-metallic  
14 includes them -- separation. So if we want high-quality  
15 wire rod, we need to keep the big size billet cast and POF.

16 So currently the market, there are huge changes  
17 in the market. Ten years ago, most of the tire cord was  
18 made out of 60 grade or 70 grade. Recently, most of the  
19 tire cord are made of 80 or 90, so most of the steelmakers  
20 need to improve all quality and development technology.

21 So including POSCO, most market players do our  
22 best, but unfortunately, in the local market, we cannot find  
23 such a high graded wire rod. I think throughout these cases  
24 you prevent high-quality wire rod imports, but same time you  
25 spoiled your wire rod demand industry, the United States.

1                   For example, if we bring -- POSCO's a  
2                   high-quality wire rod to United States and we convert our  
3                   wire rod into the wire, then United States fastener maker  
4                   cannot use our wire. Then they supply the fastener to  
5                   automotive industry. But if they cannot buy our raw  
6                   material, most of all automotive company have to import  
7                   from overseas.

8                   MR. CAMERON: Excuse me. Just one further  
9                   comment. You asked about the evolution and why. And you  
10                  know, I've never been asked to talk louder in this forum, so  
11                  thank you, Bill. Part of the evolution here and the reason  
12                  for what you're seeing is that the tire companies and the  
13                  auto companies have demanded lighter tires, right? Because  
14                  there's always been this focus on weight. At the same time,  
15                  there's a demand for strength, and as a result, what you  
16                  have is a demand for higher quality in terms of the carbon  
17                  grade and higher tensile strength, and that is what has been  
18                  driving this movement. And that has been dramatic. And  
19                  that's when we give you specs in the post-hearing brief,  
20                  you're going to see that we're not talking about 1080.  
21                  We're talking mostly about 1090, because that's now what's  
22                  being required. They can't make that.

23                  MS. VIRAY-FUNG: Okay. Thank you. I'd like to  
24                  remind counsel, I'd like to urge counsel, when discussing  
25                  this issue in your briefs, if you could please frame them in

1 the context of the six factors that the Commission generally  
2 considers, that'd be much appreciated.

3 I'd like to move on to negligibility. Should  
4 the Commission terminate the investigation from any subject  
5 countries due to negligibility issues?

6 MR. CANNISTRA: Yes. On behalf of Italy, and  
7 the rest of the negligible countries.

8 MS. VIRAY-FUNG: If you would care to expand on  
9 that in your briefs, we would appreciate that.

10 MR. CANNISTRA: Sure. As I mentioned, there's a  
11 separate negligibility test for those countries that are  
12 involved, the countervailing duty case versus those  
13 countries that are involved in the anti-dumping case.

14 There's only two on the countervailing duty  
15 case, and that's Turkey and Italy. And of those two,  
16 there's one that's above the 3% threshold, and one that's  
17 below the 3% threshold. Italy's below. There's nobody else  
18 to cumulate Italy with on the countervailing duty side.

19 And I would encourage or refer the Commission to  
20 cold-rolled steel from Russia, which just about four or five  
21 months ago, where exactly the same issue was addressed, and  
22 that is cross-cumulation. Do we add in imports from those  
23 only subject to the anti-dumping case to those that are  
24 subject to the countervailing duty case? And the answer was  
25 no.

1                   So certainly the picture is clear with respect  
2 to Italy's countervailing duty, negligible imports, high  
3 capacity utilization rates, capacity in Italy that's even  
4 dedicated to captive consumption within Italy. So no  
5 reasonable basis to conclude that it will exceed the 3%  
6 threshold.

7                   MS. MOWRY: Thanks. Kristin Mowry on behalf  
8 of ArcelorMittal South Africa. On the dumping side yes we  
9 agree, that you should find the negligible countries to be  
10 terminated, and we will expound further on that in our  
11 post-conference brief.

12                   MS. VIRAY-FUNG: Mister, I'm sorry, I can't  
13 quite see your name. Mister -- right next to Ms. Mowry,  
14 yes. I think you were sort of leading into another question  
15 with regarding to the CVD petition with respect to subject  
16 imports from Italy. Could you please respond to the  
17 Petitioners' argument that there is a potential that  
18 subsidized imports from Italy will imminently exceed the  
19 individual country negligibility threshold for purposes of  
20 threat in your brief or here?

21                   MR. CANNISTRA: Well, what that question is  
22 trying to answer is what's going to happen in the future,  
23 and certainly looking backwards, there is some information  
24 that can be gleaned about what will happen in the future.  
25 But also and equally important is what are the capacity

1 utilization rates within Italy? What is wire rod production  
2 being used for in Italy? Is production dedicated to captive  
3 production and the answer to that question is absolutely.

4 The vast majority of Italian wire rod  
5 production is dedicated to captive production within Italy.  
6 So the probability that imports would suddenly increase from  
7 Italy is very, very low, since it's being used for its own  
8 captive production. Plus, and we'll address the capacity  
9 utilization of rates themselves. I think those are also  
10 very probative, and the Commission should certainly focus on  
11 those within Italy. I think you'll be extraordinarily  
12 surprised to see how high in fact they are and have  
13 historically been in Italy as well.

14 MS. VIRAY-FUNG: Thank you very much. My  
15 colleague Mr. Szustakowski talked a little bit about using  
16 official import statistics. Can the Commission rely on  
17 official import statistics and its negligibility analysis?

18 MS. MOWRY: Kristin Mowry on behalf of  
19 ArcelorMittal South Africa. We will be making our  
20 negligibility case both on the basis of questionnaire  
21 response data and on import statistics, and I think you'll  
22 find our arguments to be persuasive in either case.

23 MR. CANNISTRA: Dan Cannistra on behalf of  
24 Crowell and Moring, and I believe historically the  
25 Commission has traditionally in the preliminary phase

1 utilized import statistics as well, particularly here where  
2 the number of countries are quite large.

3 MR. TRENDL: This is Tom Trendl, the UK.  
4 We'll have a similar analysis I think as Ms. Mowry outlined  
5 in our post-conference brief.

6 MS. VIRAY-FUNG: Thank you. Anyone else?  
7 Okay. Moving on to cumulation, could parties please address  
8 cumulation for both present and threat purposes in their  
9 briefs, or if you want -- does anybody care to discuss it  
10 right now? I've heard some discussion with regards to  
11 threat, not so much with regard with present.

12 MR. NOLAN: I think on behalf of the group we  
13 will be addressing those issues in our briefs, but obviously  
14 on a threat basis you have the power to decumulate. You  
15 have the authority and discretion to decumulate, and if this  
16 case were to go threat, we don't believe there's material  
17 injury or threat. But if you were to go threat, this case  
18 is crying out for decumulation for a number of the parties.

19 There is just too many divergences in the  
20 patterns. The way the different importers are acting, the  
21 different product mixes involved, all these factors are just  
22 crying out for you to decumulate these folks and  
23 particularly on the smaller fish.

24 MS. VIRAY-FUNG: Okay. Within cumulation,  
25 there's a fungibility prong we look at. Are the types and

1 qualities of wire rod that are generally imported, are they  
2 within the same range of grades?

3 MR. NOLAN: Could you repeat the question,  
4 because I'm not sure we fully understand it.

5 MS. VIRAY-FUNG: Within fungibility for  
6 cumulation purposes, are the types and qualities of wire rod  
7 that are generally ^^^^ are they generally imported within  
8 the same range of grades?

9 MR. NOLAN: So you're -- I think the witnesses  
10 may want to try to pick up on this a little bit, but I think  
11 the question is are there standard grades we're talking  
12 about that you're trying to get to, or that there's sort of  
13 a set range? I mean I think --

14 MS. VIRAY-FUNG: Yeah. For one country is it  
15 a different range of grades, it is, you know.

16 MR. NOLAN: Right. So different countries are  
17 going to focus on different types of products. I think some  
18 countries are, like in the tire bead particular industry,  
19 those are specific countries that you guys rely on, right?

20 MR. MINNICK: Dave Minnick with Kiswire.  
21 Basically on the grades, we specify the grades as a company.  
22 We give the grades to the steelmaker and tell them our  
23 requirements of the grades, and it's our requirements  
24 because of the way our equipment is designed.

25 In the drawing of the wire and everything, you

1 have to have certain specifications. Some of the time  
2 people specify what they want, but the grades are -- when we  
3 say 1080 grades, they can go from 80 to 86 to 89 to 90, and  
4 that's only the carbon content in the wire.

5 But there are a lot of other parts about it as  
6 far as the silica and the magnesium and everything, that is  
7 also required in the wire rod. But each country, I depend  
8 on certain areas. But each country, I get the same grades  
9 from these countries. I don't vary and go to one country  
10 for one grade and one country for another grade. I get -- I  
11 can get both grades from wherever I'm buying from.

12 MS. VIRAY-FUNG: Thank you.

13 MR. MINNICK: Thank you.

14 MR. HUGHES: Gary Hughes from Bekaert. We use  
15 grades from below 1006 all the way up to 1090, 1095, and we  
16 buy certain grades for tire cord from certain countries. So  
17 the UK, we would depend more on a steel tire cord grade from  
18 Spain as well. South Africa or Korea would mainly be high  
19 carbon BOF steels and some low carbon for the bookbinding  
20 wires as well. So we do rely on certain countries for  
21 certain grades in the BOF range of production.

22 MR. BOND: David Bond. I mentioned earlier  
23 that CELSA is exporting quite a bit of suspension steel wire  
24 rod, which is made to a grade 9254. As far as I'm aware,  
25 that's over a majority of our exports and I think we're the

1       only country that's exporting that among the subject  
2       countries here.

3                       MS. VIRAY-FUNG:   Okay.

4                       MR. CUNNINGHAM:   This is Dick Cunningham.  I'd  
5       just like to caution you against adopting some rule that  
6       well, what we have to do is we have to make the distinction  
7       by grade, or another rule that we have to make the  
8       distinction on the basis of a certain type of product.  What  
9       you're dealing here is with physical specifications, and it  
10      is a factual issue.

11                      There may well be a situation where what you  
12      want to consider separately is something that is  
13      differentiated by a combination of grade and type of  
14      product, whereas other types of product not in that grade,  
15      you wouldn't want to separate it out as a separate like  
16      product, or other grades within that product category you  
17      might want to separate out.

18                      So it is -- I know I'm not making your job any  
19      easier here and that's -- hey, I'm a lawyer; that's my job.  
20      But it really is.  It's a factual thing.  I think what you  
21      have here though is, particularly with tire cord and tire  
22      bead, you do have a combination that lends itself to that  
23      sort of factual distinction from everything else, which is  
24      tire cord, tire bead 1080 and above.

25                      MS. VIRAY-FUNG:   Thank you.  To the extent

1 that some parties have reported that purchases have  
2 increased or demand has decreased, could you address what  
3 factors may have caused either the increase or decrease in  
4 demand?

5 MR. MINNICK: I can do one, because -- Dave  
6 Minnick with Kiswire. In my industry doing the tire bead  
7 and the tire cords, there's been in the past four years  
8 seven new tire factories built in the United States. To the  
9 increase is getting very much, like I said, there's 170,000  
10 metric tons right now. It's going to grow to about 350,000  
11 metric tons, just in steel core alone because these tire  
12 companies are small now, but they will continue to grow, to  
13 where they're producing -- some tire plants are producing  
14 38,000 tires a day.

15 So that's one reason the demand is getting  
16 bigger and bigger and bigger, and as Mr. Hughes said and I  
17 said, we're continuously investing in the tire cord industry  
18 because this is growing. So the imports are going to get  
19 bigger. Thank you.

20 MR. HUGHES: Gary Hughes from Bekaert. We had  
21 a fire in our Rome, Georgia facility at the end of 2014  
22 throughout 2015. So you see a decline in our purchases from  
23 offshore because of that fire, and the production increase  
24 came about in 2016 as well.

25 MS. VIRAY-FUNG: Thank you.

1                   MR. JOHNSON: John T. Johnson. In our markets  
2 that we serve, we've seen, as I described in my testimony,  
3 about products that have disappeared, the downstream  
4 products that have gone offshore, the barbeque grill grates,  
5 the pet cages, the shopping carts. It's all -- when that --  
6 when they look at an option downstream because of rising  
7 prices, that's why our consumption has gone down on overall  
8 rod consumption for the industry as a whole.

9                   MR. CUNNINGHAM: Dick Cunningham. One more  
10 point, just at the risk of saying the obvious, that's  
11 another thing I do because I'm a lawyer, if you look at the  
12 U.S. economy in general and try to look at sectors that have  
13 really, really, really done well over the last several  
14 years, the other sector is probably at or near the top of  
15 that list, and tire production is a subset in part of the  
16 auto sector.

17                   And so it would not -- it should not be  
18 surprising to the Commission to see in the hierarchy of  
19 what's doing really well in terms of increased demand and  
20 what may be doing not quite as well, you would be surprised  
21 if you didn't see stuff in the auto sector near the top of  
22 that.

23                   MS. VIRAY-FUNG: It can be useful sometimes to  
24 state the obvious. It's helpful to us sometimes.

25                   MR. STAUFFER: Chris Stauffer, Insteel

1 Industries. We faced an interesting problem in our industry  
2 in that in non-DOT, non-Buy America, Buy American programs,  
3 it's possible for a customer for slabble and grade  
4 applications to use imported PC strand. We have a  
5 continuing issue with that problem in our markets. That  
6 means that there is a restriction in our ability to compete  
7 in those markets, and those sources that are coming into  
8 the United States primarily buying the wire rod around the  
9 world, where we don't have access to.

10 MS. VIRAY-FUNG: In order for me to be  
11 competitive, I have to seek out sources for this product in  
12 places like South Africa, in places where we can get a  
13 product that is adequate for our production, and at the same  
14 time cause a competition to arise between these sources, so  
15 that I can get a price that models what we've already said  
16 is not -- we don't have access to in the United States.

17 So that global indication is a limiting factor  
18 for us. We are losing market share in that respect to an  
19 imported wire product that we have adequate capacity for  
20 here in the United States.

21 MR. MOFFITT: Bob Moffitt, Heico Wire. If I  
22 could just add, I pointed out in our testimony that we were  
23 hurt dramatically by imports of Canadian wire using Chinese  
24 rod because of the Chinese rod case. We actually have  
25 started importing wire ourselves to use in our wire

1 processing, because of the position we've been put in.

2 At the end of the day, we are -- my  
3 competition is not the people that are necessarily sitting  
4 at this table. The people that are driving the pricing in  
5 our market are offshore wire, whether it's from China, from  
6 Brazil, from South Africa, wherever. We have to meet their  
7 pricing in the marketplace.

8 MS. VIRAY-FUNG: Thank you. Are there any  
9 geographic constraints to the areas that you can serve? Are  
10 there any areas you cannot serve?

11 MR. NOLAN: This is Matt Nolan for the Turks.  
12 I'm not going to say that there's a prohibition on shipping  
13 anywhere in the United States, but if you look at for  
14 example with the import stats from Turkey, almost everything  
15 comes in either through Tampa, New Orleans,  
16 Galveston-Houston area, and that makes perfect sense,  
17 because as usual the same thing you'll see in the rebar  
18 case. Most of that product is coming into the closest port,  
19 and then what happens it gets delivered at the port to the  
20 customer and the customer has to get it to where it wants to  
21 go.

22 And then inland transportation cost could  
23 become a big factor. There's only so far it can go before  
24 it becomes uncompetitive with a mill that may be operating  
25 in the middle of the United States, which happens to be the

1       Petitioners' mills.

2                   MS. VIRAY-FUNG:  Are there any regions that  
3       you guys are serving that -- where you're not seeing  
4       competition from the domestic like product or from  
5       domestically produced wire rod?  It sounds like you may be  
6       saying it's the other way around.

7                   MR. NOLAN:  I guess I'm going to say the  
8       competition, the geographic limitation is going to be just  
9       an inland transportation cost-based issue and how far you  
10      can take that.  So if you can't get it in from the ocean or  
11      barge, then you have an inherent limitation on how far it  
12      makes economic sense to ship a very heavy steel product.

13                   The other distinction goes back to our, the  
14      whole business about like product and products that just  
15      don't -- aren't made in the United States, period.

16                   MS. VIRAY-FUNG:  All right, thank you.  Have  
17      Respondents seen any impact of non-subject imports on the  
18      market, aside from the exit of China?  Are there any  
19      additional impacts?

20                   MR. NOLAN:  I think if you took a look at the  
21      numbers, you're going to see that the Brazilians and the  
22      Mexicans are under order.  So they therefore by definition  
23      are fairly traded, and they have not been impacted.  In  
24      fact, I think those numbers have gone up.  So by definition  
25      fairly traded imports have gone up in those areas.

1                   I believe the Canadians are probably up a  
2 little bit but fairly flat. But what you're seeing is  
3 fill-in coming in from across the board. You know, when the  
4 Chinese exited, there was a huge hole created in the market.  
5 Subject imports didn't fill that hole completely. They  
6 filled part of it but not all of it by a long shot.

7                   So the U.S. producers either had the  
8 opportunity to come in and take that market share over if  
9 they wanted to, or let other imports from fairly traded  
10 areas come in and take some of that market, which is what  
11 happened. I think the U.S. producers elected to maintain  
12 higher price levels rather than to take market share.

13                   That is their right to make that decision, but  
14 they didn't lose any market share as a result of imports.  
15 They just decided not to engage in a campaign to get market  
16 share, rather than they wanted to keep prices high.

17                   MS. VIRAY-FUNG: Thank you, and finally in  
18 your briefs, could you please provide information regarding  
19 the factors that the Commission considers in determining  
20 threat of material injury?

21                   MR. NOLAN: Yes, we will address those factors  
22 in the briefs.

23                   MS. VIRAY-FUNG: Thank you. That concludes my  
24 questions.

25                   MR. ANDERSON: Thanks Ms. Viray-Fung. And now

1 we'll turn it over to our economist, Mr. Knipe.

2 MR. KNIPE: Hello. Thanks everybody for being  
3 here, and I have to thank Mr. Minnick for the props. I  
4 always like wrapping my head around the product we're  
5 talking about. In a prelim it's difficult to have enough to  
6 time to visit facilities. So thank you for that. Are you  
7 all here among the larger purchasers in the market?

8 MS. KORBEL: AWPAs members that are here  
9 purchase over a million tons of wire rod combined. It's a  
10 --

11 MR. KNIPE: I'm trying to figure out if  
12 there's a data reporting error in one of my lost sale/lost  
13 revenue responses. Is there a behemoth that's missing from  
14 this panel?

15 MS. KORBEL: Leggett and Platt is a large  
16 producer, and they're not here.

17 MR. KNIPE: Okay, okay. Thanks. So on the  
18 tire cord versus industrial grade, are there any differences  
19 in the basic raw materials that go into these products?

20 MR. CAMERON: Don Cameron. Yes. I mean when  
21 you think about how you manufacture wire rod from a BOF  
22 process and the wire rod that you make in an EAF, one of the  
23 reasons that everyone's talking about impurities is that the  
24 EAF process is made from scrap.

25 It's very hard to, for instance, separate out

1 the copper in a uniform manner so that it is always going to  
2 be not present in the high carbon 1080 and above, whereas  
3 you can control that much better with the BOF process. So  
4 it is -- a lot of that is raw material driven and then goes  
5 into the process.

6 MR. KNIPE: Does BOF not use scrap?

7 MR. CAMERON: It can use some scrap, but it's  
8 easier controlled and it's, you know, it's not -- it's  
9 mostly iron ore. So you know, it's more of an additive. So  
10 the BOF process is going to control it much more strictly.

11 MR. BOND: David Bond, White and Case, CELSA.  
12 For some of the products, in particular the suspension  
13 spring wire rod that I mentioned, you have alloys that are  
14 added. For the suspension spring, you're adding silicon and  
15 chromium. So the alloys can be an important component of  
16 the material cost as well.

17 MR. KNIPE: Okay. I understand that you're  
18 arguing that the production process creates impurities in  
19 EAF that are not present in BOF. But is it fair to say that  
20 the biggest differences in raw materials are through alloys?

21 MR. CAMERON: No, it is not. I mean the  
22 biggest difference is that you're using coking coal and iron  
23 ore to make in the BOF process, and in the EAF process  
24 you're using scrap. That's the reason when they're doing  
25 their correlation between scrap and domestic prices, you

1 have a 99 percent correlation. Why? Geez, I don't know. I  
2 mean are going to hang our hat on it though.

3 MR. TRENDL: And that's the same for the UK  
4 because the production is stringent and very restrictive,  
5 and the impurities that you've heard about. I mean the UK  
6 has got in fact a dedicated ladle that's used to make tire  
7 cord and tire bead. So it goes -- sorry. It has a  
8 dedicated ladle in fact, a dedicated production to make tire  
9 cord/tire bead because of the impurities, because you're not  
10 starting with scrap that has a lot of scrap in it, crap.

11 MR. KNIPE: Okay. I'm sure you're going to do  
12 this anyway, but if you can expand on that in your  
13 post-conferences briefs.

14 MR. TRENDL: Absolutely.

15 MR. KNIPE: Okay. Does tire bead and  
16 industrial grade -- do they fall into any of the existing  
17 pricing products that are out there now? Okay. I'm seeing  
18 no head nods.

19 MR. TRENDL: No.

20 MR. KNIPE: Okay. So I assume that in the  
21 event of a final, the Commission should collect price data  
22 on tire bead product.

23 MR. CAMERON: If you don't decide in our favor  
24 at this stage, yes that will be correct.

25 MR. KNIPE: Okay. So are demand trends for

1 tire bead and industrial grade segregated between the  
2 construction and auto markets generally speaking?

3 MR. CAMERON: I guess I don't -- can you  
4 rephrase that again.

5 MR. KNIPE: Sure. If tire beads is specific  
6 to the auto market and industrial grade product that goes  
7 into construction and uses, are they generally segregated by  
8 those two markets? In other words, I'm trying to get at --

9 MR. CAMERON: In other words, in other words,  
10 yeah. The wire rod that's used for the tire bead and tire  
11 cord goes into the tire bead and tire cord. They're not  
12 using 1080, 1090 high carbon grade for construction, that's  
13 correct. For the construction, they're using what I believe  
14 Mr. Price referred to as conventional low, medium and high  
15 carbon wire rod.

16 MR. KNIPE: Okay, so we --

17 MR. STAUFFER: Chris Stauffer with Insteel.  
18 There is a construction product in the 1080 carbon range.  
19 That's for PC strand. So in the sense that the chemistry is  
20 not as stringent as tire bead and tire cord, it's a  
21 different product at that standpoint, because the  
22 application is different. But so there is a differentiation  
23 on that basis, but the tire bead/tire cord stance is unique  
24 in terms of the process that's involved to make it a viable  
25 product in the market.

1                   MR. CAMERON: On other thing on the PC strand.  
2                   You start with a much larger diameter and you end up with a  
3                   much larger diameter in the PC strand. The example that you  
4                   have here that we gave you and the samples for the tire  
5                   cord, you're starting with 5.5 millimeter and getting down a  
6                   filament wire. So and I think the PC strand ends up what?

7                   MR. STAUFFER: Well, PC strand winds up to be  
8                   six wires wrapped around one wire. The smallest wire  
9                   diameter is .135 in that area, and we start with 7/16ths or  
10                  11 millimeter wire rod, essentially twice the diameter of  
11                  the tire cord application.

12                  MR. KNIPE: Okay, thanks. So I'm -- I didn't  
13                  get a very good idea from looking at the questionnaire  
14                  prices how prices are set in the market. Are they indexed  
15                  to a particular publication like AMM or Platt's or anything  
16                  like that? I mean is there any consistency across the  
17                  industry?

18                  MR. STAUFFER: Chris Stauffer, Insteel. I can  
19                  address that. It's fair to say that virtually -- with  
20                  monthly pricing negotiations, it's fair to say that every  
21                  conversation starts with scrap. The American Metal Market  
22                  usually has their scrap analysis completed by the tenth  
23                  working day of the month, sometimes sooner. They publish an  
24                  index in their paper as well as provide online assistance  
25                  for that.

1                   That will be the number that you'll start the  
2 conversation from. Did the scrap go up, did the scrap go  
3 down? What was -- how does this compare to my price last  
4 month, and is there any indication that we would negotiate  
5 on behalf of our companies, relative to this change in the  
6 index over the prior month?

7                   Where that ends up is a function of how they,  
8 the market responds overall and it's on a very narrow  
9 window. We have about five to ten days to react to that,  
10 because we have to get into the next rolling schedule at the  
11 various wire mills. I buy from all of the petitioners  
12 across the country. It demands that we have some discipline  
13 in that, and that we have these orders in. Otherwise, we  
14 miss the rolling schedule and we move on.

15                   So we have time that's not in our favor in  
16 negotiating price. We have a well identified index that's  
17 put out there, and then we do our best to not buy on the  
18 index. We don't have a lot of choices in that typically  
19 because of the consistency and the momentum that we have  
20 with our requirements to be sure.

21                   I have two mandates in my job. I'm supposed  
22 to buy cheaper than my competitors and I'm not supposed to  
23 run out. That not running out part is critical to the  
24 timing that we have involved here. So yes, I say that  
25 there's -- every conversation starts with scrap and we do

1 our best to stay off of that. But essentially we're at the  
2 -- at the -- we're at the concern of the domestic mills to  
3 get that done.

4 MR. HUGHES: Terry Hughes from Bekaert. To  
5 add onto to Chris' statements, there are -- they combine  
6 certain parts of the AMM scrap. They could be Chicago plus  
7 Detroit plus Cleveland. They combine these types of things,  
8 plus we also are on an index for the CRU, which is a long  
9 product index out of London.

10 MR. MOFFITT: Bob Moffitt, Heico Wire Group.  
11 I'd like just to say that each month when the prices -- or  
12 the scrap prices are moving up, that we do get a letter from  
13 all of the vendors, telling us that their price is going up,  
14 and what's interesting, I think, is if you look at all the  
15 letters, which are certainly available, that the Chicago  
16 Spread number in the American Metal Market is one that is  
17 used most on your IQ rods.

18 What's interesting is not the most recent  
19 announcements, but the ones prior to that, which would have  
20 been for April pricing, I guess. What was interesting was  
21 that in the making of steel, and we're talking about the  
22 residual content of the steel and everything, is that most  
23 of them are, like I said, are using the Chicago Spread  
24 number.

25 But if you're making some of your higher, your

1 industrial high carbon grades, they'll use more busheling  
2 scrap in the mix. What's interesting is that in the April  
3 announcement, they actually came out with a double increase,  
4 one on low carbon and one on high carbon. The low carbon  
5 was basically the Chicago Spread number pretty much; high  
6 carbon, they went over \$60 because they wanted -- reflecting  
7 the additional price spread between busheling and shred.

8 MR. JOHNSON: John T. Johnson. We're just  
9 like these guys described. It's scrap-based, month to  
10 month, based on what comes out in the AMM or the Chicago  
11 Spread.

12 MR. KNIPE: Okay. If anybody wants to expand  
13 on that in post-conference, please do so. My last question,  
14 I hate to create more work for myself and this is an issue  
15 that we typically address in any final, but if the  
16 Commission decides to dig into the like product argument, it  
17 would be helpful to know in terms of the qualification  
18 process.

19 Some of you talked about domestics being  
20 unable to have their product qualified. If you could  
21 explain what products, the different qualification, if the  
22 process for qualification differs between product, who you  
23 have qualified and who has failed qualification. If you  
24 want to talk about that now, feel free, but in  
25 post-conference if you could dig into that, that would be

1 helpful.

2 MR. MINNICK: Terry Hughes from Bekaert.  
3 Currently, we have no one domestically that's qualified to  
4 make 1080 steel tire cord and we've tried.

5 MR. KNIPE: Okay.

6 MR. MINNICK: Dave Minnick with Kiswire. I  
7 agree. We're in the same boat as Mr. Hughes, as far as no  
8 one has qualified.

9 MR. CAMERON: And we'll expand in our  
10 post-hearing brief.

11 MR. KNIPE: Great. That concludes my  
12 questions, thanks.

13 MR. ANDERSON: Okay, thank you Mr. Knipe. And  
14 now we'll turn it over to Ms. Lo.

15 MS. LO: Hi, thank you all for coming and  
16 helping me understand more about this product. I just have  
17 one question for Mr. Nolan. In your opening remarks, you  
18 suggested that the Commission take a very close look at the  
19 other factory costs reported by U.S. producers. Please  
20 expand on that in your post-conference brief.

21 MR. NOLAN: Thank you for that question.  
22 Obviously, there are some limits to what we can talk about  
23 here because it's all APO, so I don't want to cross any  
24 lines. I would, you know, I ran a very simple calculation  
25 just looking at the changes, the deltas between periods of

1 time on a bunch of these costs and they are very significant  
2 changes that were taking place, both on factory cost, direct  
3 labor, selling expenses, general administrative expenses in  
4 some cases.

5 I'll be expanding upon this quite lively in  
6 the post-hearing/post-conference brief. But suffice it to  
7 say they are unusual in some of the -- it's what some of the  
8 producers. That's one point.

9 The second point is I happen to also be on the  
10 rebar case, and without saying anything about what's going  
11 on in the rebar case, there are some differences in what's  
12 being reported. I would urge you to think about and look at  
13 those questionnaire responses because they came in on the  
14 same day.

15 MS. LO: Thank you.

16 MR. CUNNINGHAM: All right. Trying to steal  
17 Matt's stuff always gets me in trouble. Actually, I would  
18 also suggest you take a look at labor costs in some of the  
19 data that's been presented. I can't get into details on it,  
20 but there is at least one line on one page that boy, it sure  
21 looks like a big anomaly.

22 MR. NOLAN: And I would add that what we're  
23 talking about does change the dynamic on the financial  
24 picture. So it really bears careful scrutiny.

25 MR. CUNNINGHAM: And it also relates to your

1 COGS to sales analysis, which is even without these changes  
2 not going to show anything particularly productive for the  
3 domestics in this case. But it seems to me that there are  
4 some changes that do need to be made there that make it even  
5 more abundantly clear that there's no price suppression.

6 MR. LA ROCCA: Hi everyone. Thank you for  
7 coming. Can you guys hear me? Okay. I just have a -- well,  
8 I just have a request for the Respondents, to please share  
9 with us the certification requirements --

10 MR. BISHOP: Pull your mic a little closer  
11 Mark please.

12 MR. LA ROCCA: I just have a request for the  
13 Respondents. If you could share the 1080 and plus grade  
14 requirements, certification requirements, that will be  
15 really spectacular for us.

16 MR. ANDERSON: All right. Thank you, Mr.  
17 LaRocca and I'll just scan the staff here. Any follow-up  
18 questions from the staff? Okay. With that, I appreciate  
19 the time and your attention and responses to staff's  
20 questions. You've been very helpful.

21 Appreciate you accommodating the change in the  
22 order today. I think it's been very helpful to hear from  
23 our witnesses and from our counsel, and with that I'd like  
24 to take a 30 minute recess, and we'll convene, according to  
25 this clock, at 12:35 for the second panel. Thank you very

1 much.

2 (Whereupon, a brief recess was taken to  
3 reconvene at 12:35 this same day.)

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AFTERNOON SESSION

MR. BISHOP: Will the room please come to order.

MR. ANDERSON: Good afternoon. I hope everybody had a little chance to take a break and gather themselves and have lunch on a beautiful spring day.

We would like to start with our second panel, Mr. Rosenthal and Ms. Cannon when you're ready, please proceed.

STATEMENT OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Thank you, Mr. Anderson. Good afternoon to you and members of the Commission staff. I am Paul Rosenthal of Kelley Drye, appearing on behalf of the Petitioners Gerdan Ameristeel, Keystone Consolidated Industries, and Charter Steel.

I will begin our presentation this afternoon by summarizing the main arguments on behalf of the domestic industry in this case.

First, domestic like product. The scope of this case is identical to the scope of the recent wire rod from China case. In that case, the ITC found the domestic like product mirrored the scope. The same product and market facts that led to the decision remain true today and warrant a finding that the like product mirrors the scope of this case, and we'll get into more detail on that later.

Next, negligibility. Each of the ten subject

1 countries surpasses the statutory negligibility  
2 requirements. Five countries, Korea, Russia, Spain, Turkey,  
3 and Ukraine, exceed the 3 percent threshold on an individual  
4 country basis.

5 The other five countries, Belarus, Italy, South  
6 Africa, the UAE, and the United Kingdom, while below 3  
7 percent of all imports on an individual basis, exceed the  
8 statutory 7 percent threshold on an aggregate basis.

9 Of the countries subject to a countervailing duty  
10 action, one country, Italy, is below 3 percent. This is  
11 discussed earlier by Respondents and we'll make it clear  
12 that the ITC should aggregate both the dumped and subsidized  
13 imports in assessing negligibility.

14 But even looking at subsidized imports from Italy  
15 alone, there is an indication that Italy will eminently  
16 exceed 3 percent. Imports from Italy are increasing rapidly  
17 and exceeded the 3 percent threshold in the most recent  
18 quarter, as well as over the past six months.

19 Next, cumulation. The factors that the  
20 Commission examines to identify a reasonable overlap in  
21 competition, fungibility, geographic overlap, channels of  
22 distribution, and simultaneous presence, are met in this  
23 case. Indeed, the Commission has routinely cumulated wire  
24 rod in prior cases, finding these factors met.

25 We will provide specifics on these factors with

1 respect to each country in our brief. And the statutory  
2 factors in the count to production provision similarly are  
3 met in this case.

4 The Commission should therefore focus on merchant  
5 market sales in assessing the impact of the subject imports  
6 here.

7 Turning to volume, there is no question that the  
8 absolute level of subject imports is significant and  
9 increasing rapidly. Since 2014, subject imports have grown  
10 in volume by over 56 percent.

11 I want to turn to this next slide, and I would  
12 like you to focus on this because it undercuts many of the  
13 arguments made by the Respondents.

14 To truly appreciate the volume effects of the  
15 subject imports it is important to put them in context. As  
16 you will hear from our industry witnesses, the benefits they  
17 hoped to achieve from the China case were blunted by the  
18 effects of surging imports from the subject countries.

19 Imports from China that surged from 2011 to 2013  
20 were remedies when orders were imposed in early 2015. But  
21 any relief from that China decision by the Commission was  
22 short-lived.

23 Look at this chart to see what happened. The  
24 subject countries jumped in to fill the void and then some.  
25 And contrary to what you heard from Respondents this

1 morning, this wasn't simply a matter of the subject  
2 countries replacing the imports from China. They came in  
3 from below where China was, exceeded the imports from  
4 China, and in fact are at a higher level than the Chinese  
5 ever were.

6 As you will see, the 2016 volume of subject  
7 imports exceeded that of China in its peak in 2013. Again,  
8 take a look at this. You see that dotted line there? That  
9 line represents where the subject imports from China were  
10 when they were under investigation. The subject imports in  
11 this case go beyond that dotted line and have a larger share  
12 than the imports from China did.

13 The result of that, subject imports accounted for  
14 almost 40 percent of all imports in 2016.

15 Now I want to turn to a few confidential charts  
16 that the staff and those under APO have, but if you look at  
17 confidential chart 11, it contrasts the growth and market  
18 share by China from 2011 to 2013, which was the period of  
19 that earlier investigation, with the growth in subject  
20 import market share over the 2014 to 2016 period.

21 As you see, subject import market shares exceed  
22 those of China every year of the respective periods of  
23 investigation. The growth in imports, first from China and  
24 then from the subject countries, came at the direct expense  
25 of the U.S. industry.

1           As you see in confidential chart 12, the U.S.  
2     producers lost significant market share to China, and their  
3     attempt to recover that market share was short-lived as  
4     subject imports surged and displaced U.S. producer sales.  
5     So contrary to what you heard from Respondent's counsel, not  
6     only did subject imports take the same injurious market  
7     share that the Chinese took when they were being  
8     investigated, they took even greater market share.

9           It is not correct, as you heard this morning,  
10    that the subject imports did not take additional market  
11    share from the U.S. producers during the period of  
12    investigation. It is an incorrect statement, and I hope the  
13    Respondents will recognize that when they file their  
14    post-hearing briefs.

15           Turning to slide 13, the import volume increases  
16    that the subject imports took, took place while the U.S.  
17    demand declined. So the imports were not responding to a  
18    demand need. Instead, they were pushing product into a  
19    declining market at the U.S. industry's expense.

20           The rapid subject import market penetration was  
21    accomplished on the basis of unfairly low prices. We'll  
22    talk more about the primacy of price, but you heard a lot of  
23    that confirmation by Respondents' witnesses just a half an  
24    hour ago. They talked about how important price is to their  
25    business and their competitiveness? Well they in turn

1 forced the U.S. producers to sell at the same price as the  
2 import prices.

3 The vast majority of responding purchasers from  
4 your questionnaires reported that imports were priced lower  
5 than U.S. product. And most purchasers also reported that  
6 price drove their decision to buy subject imports.

7 Purchasers were not seeking subject imports for  
8 quality reasons or for lack of capacity. They were  
9 searching for and achieving and getting low prices. The  
10 quarterly pricing data confirm that the subject imports  
11 undercut U.S. prices most of the time over the Period of  
12 Investigation both on a quarterly basis and on the basis of  
13 the total volume sold.

14 As a result of this significant underselling by  
15 subject imports, domestic producer prices plummeted over the  
16 past three years across multiple types of wire rod.  
17 Purchasers reported that domestic producers have been forced  
18 to reduce prices significantly to compete with lower priced  
19 imports. This is their reporting.

20 This import pricing pressure caused domestic unit  
21 sales values to decline more than raw material costs.  
22 Contrary to what you heard the Respondents argue this  
23 morning, import prices, not reduced raw material costs, are  
24 forcing U.S. producers down to unsustainable levels.  
25 Indeed, the raw material costs declined less fast and less

1 steeply than prices did, wire rod prices, contrary to the  
2 indexes and the other charts that were shown to you by the  
3 Respondents. Our questionnaire data confirms the statement  
4 I just made.

5           The surging volumes of low-priced imports have  
6 been severely injurious to the domestic industry. The  
7 domestic industry has suffered declines in numerous trade  
8 variables since 2014, as you see here. And remember the  
9 industry was struggling in 2014 to recover from the injury  
10 caused by China. So it was already in a weakened condition.

11           Even from that poor condition, this industry has  
12 suffered further declines. Those declines are most evident  
13 in the weak and deteriorating financial condition of the  
14 U.S. industry, which has suffered reductions in all property  
15 related factors.

16           The current profit levels in the industry are  
17 simply unsustainable. Confidential slides 21 through 24  
18 document the negative effects on the return on investments  
19 that the domestic producers have suffered as a result of  
20 these financial downturns.

21           Now we typically don't provide this level of  
22 detail in our conference presentations, but I think it's  
23 important here that you see how devastating these effects  
24 have been on the industry. You will see postponements or  
25 cancellations of planned investments, downgrading of bonds,

1 idling of facilities, and recall as well that two major  
2 producers have ceased production during the period.  
3 ArcelorMittal Georgetown closed its doors entirely in 2015,  
4 letting off over 200 U.S. workers. And in 2016, Republic  
5 Steel idled its Loraine, Ohio, wire rod facility leading to  
6 approximately 200 more layoffs.

7 Non-subject imports cannot be blamed for the  
8 domestic industry's declining performance, as you see from  
9 this chart. The volume of non-subject imports fell over the  
10 period, as their sales were also displaced by subject  
11 imports.

12 If a remedy to address these unfair trade  
13 practices is not imposed, the injury the domestic industry  
14 has suffered will only get worse.

15 Subject producers have massive capacity to  
16 produce wire rod and that capacity significantly exceeds  
17 their production. This overcapacity situation is fueling  
18 the increasing exports of wire rod, just as the overcapacity  
19 of many other steel products globally has led to surging  
20 U.S. imports of a variety of steel products.

21 A comparison of the excess wire rod capacity  
22 existing in the subject countries to demand in the U.S.  
23 market is frightening. Despite the surging import volumes  
24 we have documented, there remains more idle capacity still  
25 in the subject countries than the size of the entire U.S.

1 market for wire rod.

2 Absent a remedy, the surging volumes of  
3 low-priced imports to the U.S. market will only continue,  
4 leading to further closures of U.S. rod mills and loss of  
5 American steelworker jobs. Thank you. That concludes my  
6 statement. I will turn it over to our first industry  
7 witness, Mr. Chris Armstrong.

8 STATEMENT OF CHRIS ARMSTRONG

9 MR. ARMSTRONG; Thank you. Good afternoon. My  
10 name is Chris Armstrong. I am Chief Executive Officer of  
11 Keystone Consolidated Industries, the parent company of  
12 Keystone Steel and Wire of Peoria, Illinois.

13 It is my honor to manage over 1,200 employees  
14 whose families rely upon Keystone for their current and  
15 future income, their health care, pensions, and the benefits  
16 that good-paying jobs provide to families and communities.

17 Keystone Steel Wire is a domestic producer of  
18 carbon and alloy steel wire rod. Keystone produces a wide  
19 range of wire rod products from low- and medium-carbon rods  
20 to very exacting high-carbon and CHQ wire rods.

21 I have been with Keystone most recently since  
22 2012, but my first experience with Keystone was successfully  
23 seeing it through bankruptcy between 2002 and 2004. That  
24 was another period when Keystone was working its way through  
25 import caused injury.

1           After I returned to Keystone as Chief Strategy  
2           Officer in 2012, we embarked on a capital improvement  
3           program. Over the last several years, we have been making  
4           continual upgrades to our wire rod and melt facilities,  
5           including a multi-million dollar upgrade to extend our  
6           product offerings to existing and new customers in order to  
7           maintain the volume that otherwise we would be losing.

8           With the trade orders on wire rod from China  
9           going into place in 2015, and the closure of over a half a  
10          million tons of capacity at ArcelorMittal Georgetown,  
11          Keystone should have been in a position to take advantage of  
12          those investments and increased our profitability.

13          Unfortunately, due to the increasingly low priced  
14          dumped and subsidized imports over the last two years,  
15          Keystone's return on its investment has been well below what  
16          is necessary to maintain the investment required to sustain  
17          our workforce.

18          Because of that, we have delayed or postponed  
19          additional planned capital projects, despite our desire if  
20          we possibly could to implement them. Over the last couple  
21          of years, we have seen declining import prices driving down  
22          domestic prices as new wire rod sources have  
23          opportunistically filled in all of the volume we thought  
24          would be available for the domestic industry to supply.

25          Wire rod customers are very price sensitive, as

1 we've heard this morning, and the market pricing is quite  
2 transparent as also we heard this morning. It only takes  
3 one import source to offer lower prices to start the  
4 downward spiral.

5           What we have seen in this market has been  
6 multiple import sources supplying the U.S. market with  
7 low-priced wire rod. The ready availability of multiple  
8 sources of lower import prices leads purchasers to  
9 anticipate and demand lower market prices overall.

10           Those purchases also then expect to see Keystone  
11 lower its prices to the level of the imports. If we don't  
12 initially react to the lower import prices, the purchasers  
13 may buy the lower-priced imports, or they may elect to delay  
14 ordering anything and wait for the anticipated price drop.

15           The customer does not want to be caught with  
16 inventory that is priced higher than the market price being  
17 led down by the imports, thus making the products all  
18 competitive, as again they said this morning--price being  
19 incredibly important to them.

20           A demand weakened--as demand weakened during the  
21 Period of Investigation, there was even more downward  
22 pressure on pricing. This cycle went on until someone  
23 blinked. And it is usually the domestic producers that had  
24 to blink.

25           Domestic producers have huge investments in

1 plant, equipment, and labor, and this is our primary market.  
2 As a result, we must try to keep the volume up in our mills  
3 to obtain an adequate return on our investment.

4 There is much less of a concern for the traders  
5 or the foreign producers selling into the U.S. market, as  
6 the U.S. prices do not affect their domestic prices.

7 With import competition at even lower prices in  
8 2016, we were forced to be aggressive in trying to match  
9 import prices to maintain our volume. As import prices  
10 fell, the volume became even more important.

11 We found ourselves having to try to compete for  
12 every ton, no matter how small the order. Smaller orders  
13 also mean higher unit production costs, even in the face of  
14 those lower unit prices.

15 While our responses was to price to keep our  
16 production up, even after cutting our prices to the bone we  
17 often weren't successful in obtaining sales. Customers  
18 routinely demand prices below our costs, and we must decide  
19 whether to lose money on the sale or to lose the sale and  
20 the volume entirely.

21 If we are not able to address these unfairly low  
22 priced imports, we can expect things to get much worse, as  
23 U.S. mills find required modernization investments simply  
24 unaffordable.

25 Like other parts of the global steel industry,

1       there is substantial overcapacity to produce wire rod. Just  
2       as we try to keep our production up to cover our costs in  
3       this capital intensive industry, the foreign producers feel  
4       a similar pressure. Unlike us, however, they have the  
5       opportunity to dump surface capacity into the largest, or  
6       one of the largest consumption markets in the world, without  
7       affecting their domestic market--a luxury of course we do  
8       not have.

9                 We cannot withstand further erosion of our prices  
10       and revenues as this strategy by the foreign producers  
11       continues. It is therefore vital that we are able to obtain  
12       relief against the dumped and subsidized imports as soon as  
13       possible. If we don't, I fear we will fall behind on  
14       investment to a point where we will never be able to catch  
15       back up.

16                 Thank you.

17                 STATEMENT OF ERIC NYSTROM

18                 MR. NYSTROM: Good afternoon. My name is Eric  
19       Nystrom and I'm the Director for SBQ and Wire Rod for Nucor  
20       Corporation. I've been employed with Nucor for 17 years.  
21       Nucor has four wire rod facilities in Nebraska, Connecticut,  
22       Arizona, and one in South Carolina, which started production  
23       in late 2013 to better service our customer base.

24                 We produce wire rod from billets and blooms and  
25       our raw material mix includes scrap, pig iron, and direct

1 reduced iron. I appreciate the opportunity to speak with  
2 the staff today and I urge the Commission to find that wire  
3 rod imports from the subject countries have materially  
4 injured our industry and threaten it with injury.

5           There's been a massive surge in subject imports  
6 over the past three years. At the beginning of 2014,  
7 imports from the 10 subject countries comprised only a small  
8 portion of the market. At that time, the domestic industry  
9 was in the midst of receiving trade relief from Chinese wire  
10 rod. With import duties looming, the U.S. wire rod industry  
11 was positioned to recover from the material injury caused by  
12 unfairly traded Chinese imports.

13           Nucor ramped up production and capacity at its  
14 new state-of-the-art \$100 million wire rod facility in  
15 Darlington, South Carolina to ensure that there was plenty  
16 of supply for our customers. But just one month before the  
17 preliminary duties were imposed on Chinese rod we started to  
18 see a growing wave of low-priced imports from the subject  
19 countries surge into the domestic market.

20           Importers stopped bringing in Chinese rod and  
21 simply switched over to the next source of dumped and  
22 subsidized imports. In fact, wire rod imports from the 10  
23 subject countries nearly tripled in the second half of 2014  
24 as compared to the first. As a result, the trade relief  
25 from the Chinese wire rod was short lived as subject imports

1       rushed into the market at extremely low prices.

2                     In 2015 and 2016, subject producers kept  
3 shipping massive volumes with no signs of slowing down. We  
4 started seeing large shipments from each of the countries  
5 jump in and out of the market. It seemed as if producers in  
6 the 10 subject countries were taking turns shipping dumped  
7 and subsidized wire rod to the United States.

8                     Turkish producers are a classic example of the  
9 hit-and-run tactics employed by subject producers. By the  
10 end of 2016, subject imports grabbed additional market share  
11 and now comprise a double digit percentage of the domestic  
12 market. Although demand remained relatively flat in 2016  
13 through massive underselling more and more market share was  
14 captured by the subject imports.

15                    Subject imports were able to penetrate the  
16 domestic market so quickly by offering ridiculously low  
17 prices. At a certain point, we could no longer lower our  
18 prices to compete against the subject wire rod. Not  
19 surprisingly, our customers continued to switch their supply  
20 to wire rod from the subject countries. Often the price gap  
21 between the subject import prices and domestic prices was so  
22 large that we were not even given the opportunity to compete  
23 with imported wire rod from these subject countries.  
24 Customers simply bypassed negotiation with us and purchased  
25 the cut-rate priced subject imports. These customers will

1 increase their reliance on imports as subject producers  
2 continue to ship massive quantities to the United States.

3 Even if our customers wanted to purchase wire  
4 rod from Nucor or other domestic suppliers, subject imports  
5 are priced so low that our customers must purchase imports  
6 to remain competitive. The company next door is purchasing  
7 dumped and subsidized subject imports and even the most  
8 loyal customers feel they must have to purchase a certain  
9 volume of imports simply as a matter of competition.

10 Because subject wire rod has flooded into the  
11 market, Nucor and other domestic producers operated at low  
12 levels of capacity utilization during the POI. The domestic  
13 industry has more than enough capacity to supply the  
14 domestic market. There is simply no need for subject wire  
15 rod where many domestic producers are operating well below  
16 their capacities. The domestic industry also has full  
17 geographic coverage throughout the United States to supply  
18 customers. Indeed Nucor alone has wire rod mills in  
19 western, Midwestern, eastern, and southern United States to  
20 better supply our customers.

21 The domestic industry can produce virtually any  
22 grade of wire rod. Nucor produces conventional low, medium,  
23 and high carbon grades which are used to make products that  
24 range from PC strand and fencing to small wire baskets.  
25 Domestic wire rod is completely interchangeable with subject

1 rod regardless if it is produced in an electric arc furnace  
2 or blast oxygen furnace. But it is important to recognize  
3 that the vast majority of the grades imported into the  
4 United States from the subject countries are basic low,  
5 medium, and high carbon grades. Anyone who tells you  
6 otherwise is simply not telling you the entire truth.

7 Antidumping and countervailing duty orders on  
8 wire rod from the subject countries are necessary to prevent  
9 further damage to the domestic industry. Otherwise, subject  
10 producers will continue to ship massive quantities of wire  
11 rod to the United States and the domestic industry will  
12 continue to lose share in a stagnant U.S. wire rod market.

13 Last year, subject producers shipped over  
14 700,000 tons of wire rod into the United States. And with  
15 their massive amount of excess capacity they stand capable  
16 of sending much more without the discipline of an order.  
17 The U.S. market is one of the largest, most open, and  
18 traditionally attractive markets in the world.

19 If antidumping and subsidy orders are not  
20 issued, subject imports will continue to cause the domestic  
21 industry to lose orders and eventually shut down capacity.  
22 Nucor did not invest over \$100 million into its wire rod  
23 operations to better serve its customers only to have  
24 low-priced subject imports decimate the industry.

25 If the U.S. manufacturers are not able to

1 maintain production, bottom lines will be injured and  
2 American workers will suffer. Even now our Nucor mills are  
3 running at low levels of capacity utilization. Nucor prides  
4 itself on providing stable and good paying jobs that are  
5 important to local communities. Antidumping and  
6 countervailing duty orders are necessary to protect Nucor  
7 and its workers from unfairly priced imports.

8 On behalf of Nucor and our employees, I urge the  
9 Commission to grant trade relief against wire rod imports  
10 from Belarus, Italy, Korea, Russia, South Africa, Spain,  
11 Turkey, Ukraine, the United Arab Emirates, and the United  
12 Kingdom. Thank you.

13 STATEMENT OF MARCELO CANOSA

14 MR. CANOSA: Good afternoon. My name is Marcelo  
15 Canosa. I'm the Director of Marketing for the Gerdau's  
16 North American Long Steel Business Division. I have worked  
17 in the steel industry for 18 years and most recently as a  
18 wire rod rebar sales director for over four years. Gerdau's  
19 a major supplier of long steel products, including carbon  
20 and alloy wire rod in the United States.

21 We produce wire rod in Beaumont, Texas and  
22 Jacksonville, Florida. As you know well, China's immense  
23 steel rod capacity has wreck havoc on the U.S. tire sector.  
24 The domestic wire rod industry, in particular, was severely  
25 injured by unfairly traded Chinese imports. And in January

1 2015, the Commission graded import relief. The antidumping  
2 and countervailing duty orders on wire rods from China were  
3 critical to the survival of the domestic industry. But the  
4 benefits of the orders have short lived.

5           Once imports from China receded from the U.S.  
6 wire rod market, other foreign producers began ramping up  
7 exports to the United States and underselling our already  
8 vulnerable domestic industry. Between 2014 and 2016,  
9 imports from the 10 subject countries rapidly increased. As  
10 a result, the domestic industry shipments declined and we  
11 were deprived of the benefit we should have experienced from  
12 the China orders.

13           The imports from the 10 countries subject to  
14 this trade case were able to increase sales by aggressively  
15 underselling the U.S. producers, including Gerdau. Prices  
16 in the United States wire rod market, including imports  
17 pricing is extremely transparent. Industry publications  
18 like American Metal Market, Platts, and CRU list wire rod  
19 prices which customers then collaborate through their own  
20 contacts with importers and through import license data.

21           In this way, even a small volume of low-priced  
22 imports from one of the subject countries can have a big  
23 impact in U.S. pricing in a relatively short period of time.  
24 We have been forced to lower our prices by this race to the  
25 bottom price environment throughout the period of

1 investigation. Customers routinely ask us to meet the  
2 subject import's unfairly traded low prices just to compete  
3 for business.

4 To respond to the import competition, we have  
5 been forced to institute foreign fighters, pricing with  
6 major customers to stand the loss of sales and protect our  
7 mills production. Foreign fighter pricing means customers  
8 tell us the foreign price and then we're forced to try to  
9 match it if we want to keep their business. Under these  
10 market dynamics, we're left with no choice but to lower our  
11 price to unsustainable levels just to keep our sales volume.

12 Wire rod production is extremely capital  
13 intensive. We must keep our mills running to cover costs.  
14 Initially, the trade orders against China helped. Our mills  
15 were operating at higher capacity utilization right after  
16 the antidumping and countervailing duty orders against  
17 Chinese wire rods were imposed, but recovery was fleeting.  
18 As the subject imports came surging into fill the gap left  
19 by China, we were back to selling our wire rod at rock  
20 bottom prices to keep our mills operating and our workers  
21 employed.

22 Gerdau competes directly with the subject  
23 imports every day. We know from our customers that subject  
24 imports are not capturing sales or driving U.S. price down  
25 because they're of a better quality or a special type of

1 wire rod. We have lost and continue to lose sales to the  
2 subject imports because of price and price alone. Our wire  
3 rod is competing head-to-head with the subject imports and  
4 the imports are forcing us to cut prices and profits because  
5 of the lower prices they offer.

6 The import prices have been so low that we have  
7 not been able to maintain selling price to keep up with  
8 increasing raw materials costs, creating growing pressure  
9 and non-profitability. Our efforts to maintain our volume  
10 by competing with the low import prices has absolutely  
11 devastated Gerdau's business. This is not a sustainable  
12 situation. There is no question that the subject imports  
13 have driven our financials into the ground. Due to the  
14 rapidly falling price caused by the subject imports, our net  
15 sales values and profitability declined dramatically.

16 Our capital expenditures also shrank in 2016  
17 because the business could not support negative investment  
18 returns due to impact of low import prices. In fact, both  
19 our Beaumont and Jacksonville plants have had to delay or  
20 place on indefinite hold critical capital investment  
21 projects. Projects designed to improve efficiency and  
22 increase output in our wire rod facilities.

23 Gerdau's wire rod operations, our employees, our  
24 products and our customer service are among the best in the  
25 world. Our very broad range of wire rod products from low

1 carbon to high carbon to welding quality, cold-heading  
2 quality and other specialty types are extremely competitive  
3 in today's market. The only reason Gerdau is now in this  
4 position is because of the subject imports unfairly low  
5 prices that are destroying U.S. market and threatening to  
6 drive us out of business.

7           Given the injury that Gerdau has already  
8 suffered and the continued volumes of unfairly priced  
9 subject imports there is real possibility that Gerdau will  
10 have to make difficult decisions that will mean layoffs of  
11 employees and worse, plant closures. We saw ArcelorMittal's  
12 Georgetown wire rod facility close down not too long ago.  
13 Most recently, Republic Steel closed its Lorraine wire rod  
14 facility. None of us want to be next. Plant closures have  
15 a profound impact on our business, employees, families, and  
16 surrounding communities.

17           We urge the Commission to reach an affirmative  
18 preliminary determination of injury in this case and impose  
19 the provisional relief. Without such relief, the domestic  
20 steel wire rod industry will continue to suffer harm. Thank  
21 you very much.

22           STATEMENT OF STEPHEN ASHBY

23           MR. ASHBY: Good afternoon. I'm Stephen Ashby.  
24 I'm Vice President of Sales for Keystone Steel and Wire.  
25 I've held that position for two years and prior to Keystone

1 I held Wire Sales -- with Evraz and ArcelorMittal USA.

2 I'm here today to describe the injury caused by  
3 imports of wire rod from the subject countries. Keystone  
4 has a major wire rod production facility in Peoria,  
5 Illinois. Unfortunately, we're being injured by dumped and  
6 subsidize imports of wire rod from the subject countries  
7 across all of our product lines.

8 I testified before the Commission over two years  
9 ago about injury to the industry as experiencing because of  
10 the surge of low-priced imports of wire rods from China.  
11 The Commission's affirmative vote in that case remedies the  
12 injurious imports of wire rod from China at the time, but  
13 the hope for recover has not materialized. Unfortunately,  
14 those unfairly traded imports from China have been replaced  
15 by unfairly traded imports from the countries that are the  
16 subject of this case.

17 This happened for at least two reasons. First,  
18 when the unfairly traded imports from China withdrew from  
19 the U.S. market because of the remedial duties, they simply  
20 moved to other markets around the world, displacing sales in  
21 these markets. Wire rods from those other markets had to  
22 find some place to go. The same trading companies that  
23 exploited low-priced imports from China found new sources in  
24 the subject countries to replace the Chinese wire rod.

25 Second, the U.S. customers that were buying

1 Chinese wire rod in 2014 did not stop wanting to source  
2 low-priced wire rod wherever it might be available. The  
3 downstream wire rod customers are also in the business to  
4 maximize their profit and they continue to look for the  
5 lowest rod prices available.

6 While the unfairly traded imports are now spread  
7 over 10 different countries instead of just coming from  
8 China, the affect is exactly the same. Domestic wire rod  
9 producers like Keystone have tried to match the low-priced  
10 imports sources in the market to make the sales and keep our  
11 volume up. Whether the rod is from China or from those of  
12 the 10 countries named in these petitions, the low import  
13 prices set the U.S. market price and with so many sources  
14 offering wire rod in the marketplace the purchasers know  
15 they can get these prices they need in a never-ending  
16 downward price spiral.

17 The imported subject wire rod from these 10  
18 countries is interchangeable regardless of the source of  
19 country and with domestic wire rod in the eyes of our  
20 customers. In 2013, it was imports of 600,000 plus tons  
21 from China at low prices that were injuring our industry.  
22 In 2016, the 10 subject producers in this case accounted for  
23 over 700,000 tons in a smaller market. The low import  
24 prices from these 10 sources continue to cause injury.

25 In the United States today these subject

1 countries have established themselves as being able to ship  
2 large quantities of wire rod to the U.S. at prices below  
3 market. Countries like the United Arab Emirates and Russia  
4 have recently come out nowhere with significant volume  
5 offers and low prices to our customers. Turkish producers  
6 continue to play hit-and-run in the marketplace exporting  
7 massive volumes at certain periods and very little in  
8 others, but always surging back when they see a chance to do  
9 so.

10 Each of the target countries has proven to be  
11 opportunistic and they use price to grab volume. When you  
12 aggregate them, the injury to us is the same. Large volumes  
13 of low-priced imports that drive down Keystone's prices and  
14 deny us volume we need to run our mill profitably. Keystone  
15 has been losing sales due to lower price, not because  
16 customers prefer quality, delivery, or the service  
17 associated with imported wire rod.

18 What purchasers want are the lower-priced  
19 imports. If the foreign producers are not forced to trade  
20 fairly, purchasers will continue to buy low-priced import  
21 wire rod forcing Keystone to match those prices. In 2014, I  
22 testified for the domestic industry that purchasers were  
23 making it clear that they could not afford to ignore the  
24 lower prices offered for Chinese wire rod and the domestic  
25 producers could not afford to match those prices.

1                   By 2016, there were so many new sources of  
2                   dumped and subsidized wire rod available in the market we at  
3                   Keystone concluded that we had to try to match import prices  
4                   if we wanted to maintain business. You can see from our  
5                   questionnaire response that we continue to suffer from the  
6                   need to compete with large volumes of low-priced imports.  
7                   Not long ago it was China, today there are multiple sources,  
8                   but the outcome to my couple and our industry are the same  
9                   without relief from these trade cases. Thank you.

10                   STATEMENT OF ROXANNE BROWN

11                   MS. BROWN: Good afternoon. My name is Roxanne  
12                   Brown and I'm the Assistant Legislative Director for the  
13                   United Steel Workers or USW.

14                   The USW is the largest industrial union in North  
15                   America with 1.2 million active and retired members. Our  
16                   union has consistently opposed the unfair trade practices of  
17                   foreign companies and governments. Not only do such actions  
18                   violate U.S. and international trade rules, but they also  
19                   have a devastating impact on American manufacturers and  
20                   their workers.

21                   Our union has been spending more time here than  
22                   we would like in the past couple of years urging the  
23                   Commission to provide badly needed trade relief to save  
24                   American manufacturing jobs from the affects of unfairly  
25                   traded steel imports. As our leadership has repeatedly and

1 publicly stated, we are in the midst of a steel crisis  
2 caused by massive global overcapacity and a willingness by  
3 others to dump their steel at low prices in the United  
4 States just to avoid having to make tough decision at home.

5 My purpose here today on behalf of our members  
6 is to bring your attention to yet another domestic steel  
7 sector, steel wire rod that is suffering from these  
8 challenging conditions. The Steel Workers represents  
9 workers at many wire rod production facilities in the United  
10 States, including Gerdau Ameri Steel in Texas, Evraz North  
11 America in Colorado, Cascade Steel in Oregon, Sterling Steel  
12 Company in Illinois, and Republic Steel in Ohio. For those  
13 steel workers and their families, I ask the Commission to  
14 level the playing field for the U.S. wire rod industry.

15 American wire rod producers have faced unfair  
16 competition from numerous countries for many years. Most  
17 recently, we supported the industry in a successful action  
18 filed against wire rod from China, but as you've heard from  
19 other witnesses today that opportunity for recovery was only  
20 temporary. It was just a matter of time before wire rod  
21 imports from the 10 subject countries began to rapidly enter  
22 the market to fill the hole left by China.

23 That hole could have and should have been filled  
24 by domestic wire rod. That newly leveled playing field  
25 should have been a chance to bring steel workers back to

1 work and expand the number of jobs. Instead, U.S. producers  
2 again are again facing increasing volumes of unfairly,  
3 low-priced wire rod imports from the 10 subject countries.  
4 As a result, the domestic industry has seriously suffered.  
5 The depressed market conditions faced by domestic producers  
6 over the past several years have had far-reaching affects.

7           For example, instead of being able to keep the  
8 mill open as it had hoped after the China case,  
9 ArcelorMittal USA was forced to permanently close its  
10 Georgetown, South Carolina wire rod facility in 2015. 226  
11 employees, including many of our members, lost their jobs  
12 when Georgetown closed. Just last year, Republic Steel  
13 idled its Lorraine, Ohio wire rod facility, resulting in  
14 about 200 layoffs.

15           Workers at other wire rod mills have suffered as  
16 well and lost jobs and reduced pay as subject imports  
17 surged. Those lost jobs and wages hurt not only  
18 hard-working, highly skilled American steel workers, but  
19 also their families, retirees, and entire communities that  
20 depended on the success of the workers and their local mill.

21           For the U.S. wire rod industry and those jobs  
22 that still exist trade relief is critical. There is no  
23 question that American steel workers and the products we  
24 make can compete with imports from any country in the world,  
25 but we need help in stopping the injury being caused by the

1       overcapacity, government subsidies, and unfair pricing  
2       coming from the 10 subject countries. We are counting on  
3       the Commission to enforce the trade laws to ensure that  
4       competition is fair so that U.S. producers can thrive and  
5       invest in the future.

6                   On behalf of our union's members who make wire  
7       rod and the retirees and communities that depend on them, I  
8       urge the Commission to enforce the trade rules and find that  
9       unfair imports of wire rod are injuring the U.S. industry  
10      and its workers. Thank you.

11                   MR. ROSENTHAL: That concludes the presentation by  
12      the domestic industry. We are prepared to answer questions.  
13      Thank you.

14                   MR. ANDERSON: Thank you very much, Mr. Rosenthal,  
15      and to the panel and the witnesses for being here today.  
16      Thank you for your testimony. It's very helpful.

17                   We would now like to start with questions from  
18      staff and we'll start with our investigator, Mr.  
19      Szustakowski.

20                   MR. SZUSTAKOWSKI: Hello all. Thank you for your  
21      testimony and for the opportunity to ask you questions. I'm  
22      going to start with the same basic questions from this  
23      morning's panel.

24                   Official import data, you've obviously relied on  
25      in your Petition and in your presentation today. Is there

1 any ambivalence about using import statistics?

2 MS. CANNON: Kathy Cannon with Kelley Drye. We  
3 agree with Respondents that official import statistics  
4 provide the best basis for the coverage because it's not  
5 comprehensive, absent reliance on those. The only caveat I  
6 would add, Mr. Szustakowski, is when we were looking at some  
7 of the responses, it appeared that some of the data the  
8 imports reported in questionnaire responses exceed some of  
9 the Census statistics, and we're going to try to comment on  
10 those in our  
11 post-conference brief because there might be a  
12 classification issue with respect to some of those.

13 MR. SZUSTAKOWSKI: I appreciate that. I don't  
14 expect you to comment on this now, but I'd also like--and  
15 Petitioners tend to do this about coverage for the foreign  
16 producers, with the response rate we have with them and the  
17 coverage, and off the top of my head I'm not familiar if  
18 there is an industry source that maybe Petitioners might  
19 have access to that would cover the wire rod industry and  
20 have specific data, country-specific, on the capacity and  
21 whatnot. If that information is available, please submit  
22 that on the confidential record as some way to check it  
23 against our questionnaire response coverage.

24 MS. CANNON: We'll be happy to do that. Some of  
25 that data was actually used as the basis for the last two

1 slides in the presentation that Mr. Rosenthal presented.

2 MR. SZUSTAKOWSKI: Excellent. Thank you.

3 So could the --- we heard this morning that  
4 apparent consumption demand has been relatively flat. Do  
5 Petitioners agree with that assessment? Is demand flat?  
6 Where do you see it going?

7 MR. ARMSTRONG: Chris Armstrong, Keystone  
8 Consolidated Industries. Yes, we'd agree industry-wide, at  
9 an industry level demand has been relatively flat to weak,  
10 obviously varying within certain consequences from a  
11 personal point from Keystone Consolidated. We've actually  
12 seen a decrease in our share of external rod sales.

13 MR. CANOSA: Marcelo Canosa, also with Gerdau. We  
14 agree that demand has been flat the last couple of years.

15 MR. NYSTROM: And likewise, Eric Nystrom from  
16 Nucor. We agree. Demand has been flat to maybe down a  
17 little over the last three years.

18 MR. SZUSTAKOWSKI: The last three years we've seen  
19 a lot of presentations from this morning and this afternoon,  
20 looking at some of the record and information developed from  
21 the China investigation. So has it been relatively flat  
22 since--for the period covering the China investigation, too?  
23 I believe that covered the full years of 2011 through 2013.

24 MR. ROSENTHAL: We do have some data, and some of  
25 it was reflected--this is Paul Rosenthal--reflected in the

1 slides where there has been a slight decline in the last  
2 period since the China investigation.

3 MR. SZUSTAKOWSKI: Okay. What I'm trying to  
4 understand is Nucor's perspective. You're referencing that  
5 you made a \$100 million investment in new facility, and we  
6 see a--you know, people are acknowledging a relative flat  
7 demand. What was the impetus for making that, what you  
8 called a sizeable investment? What would draw you into that  
9 if we see somewhat flat demand?

10 MR. NYSTROM: Yes, thinking back to that  
11 particular project, that really was a project we started  
12 considering back in 2010. And we made that mill  
13 announcement in late 2011, after about a year to a  
14 year-and-a-half of analysis where we were looking for  
15 opportunities to be able to grow with our customers, grow  
16 within Nucor as an area that we saw as an opportunity for  
17 ourselves where we could put in some new equipment, new  
18 modernized rod mill, and be able to participate and support  
19 our customer base.

20 MR. SZUSTAKOWSKI: But as part of that did you  
21 see--you're saying supporting your customer base, were you  
22 anticipating larger demand? Or was it to serve current  
23 slate of customers?

24 MR. NYSTROM: Certainly when we were looking at  
25 the market there was a sufficient market for it, you know,

1 but it wasn't long after we started that mill up--we started  
2 that mill in 2013, and then we were hit almost immediately  
3 with the Chinese imports. And as the mill ramps up,  
4 naturally it takes a little time, then we got some relief  
5 and we were hit yet again.

6 And I tell you that, looking back at that  
7 particular project and the success based on financial  
8 results, they really haven't been there with what the  
9 expectations were at the outset of that particular project  
10 back in 2011.

11 MR. SZUSTAKOWSKI: Was that mill incremental  
12 capacity that was added to domestic capacity? Or was it  
13 designed to replace any domestic capacity, whether it's  
14 yours or another facility's?

15 MR. NYSTROM: In that particular mill, that was a  
16 rod block extension that we had added to an existing steel  
17 mill. So it was no new melt capacity added, but it was a  
18 shift in the capacity at that particular location in order  
19 to again broaden our reach for our wire rod customer base.

20 MR. SZUSTAKOWSKI: I'm sorry? Can you repeat  
21 that? I didn't follow that. So this was--

22 MR. NYSTROM: It was made in an existing steel  
23 mill where we were already melting steel. But what we did  
24 is we put in the ability to manufacture wire rod on that  
25 facility. So it was a new wire rod capacity.

1           MR. SZUSTAKOWSKI: Yes, that's what I'm trying to  
2 talk about, is wire rod capacity, just so we're clear. I  
3 think that when we discuss capacity--and this is directed to  
4 all petitioning firms of those present; I think there's one  
5 not present today--and when we look at the production  
6 process, I believe there are four stages generally speaking  
7 for wire rod production.

8           And I'd like in your brief for you to address  
9 specifically where your capacity constraint is in the  
10 production process, and how that relates to the data  
11 reported in your questionnaire responses.

12           I know that there is melt capacity, but when does  
13 wire rod become wire rod? And that might be in the rolling,  
14 or that might be in the coiling stage. And if you're basing  
15 capacity on say melt capacity and not actual wire rod where  
16 the product becomes wire rod, I'd like some clarification  
17 about that. And ideally gearing your data reporting to  
18 actual wire rod capacity, that constraint.

19           So I might follow up later with a more detailed  
20 question, but I want this on your radar to see a more  
21 explicit explanation in the brief. Because right now I  
22 think capacity constraint is a somewhat nebulous concept,  
23 and I'm just looking for something to be tied down a little  
24 bit more.

25           MR. ROSENTHAL: We'll be glad to answer that in

1       our post-conference brief. I will say that this issue of  
2       capacity measurement is not new to the wire rod industry,  
3       and they've had a fair amount of unfortunate experience  
4       having to answer questionnaires on this topic. So we'll get  
5       you some clarification.

6                   MR. SZUSTAKOWSKI: I've had some experience  
7       asking, too, so--but I appreciate that. Thank you.

8                   Let's see here. So I trust that we will see a  
9       more robust presentation about the captive consumption  
10      provision? This is something that in the affirmative you  
11      believe that the Commission should be--that these statutory  
12      criteria are met, and that we should be focusing--the  
13      Commission should be focusing on the merchant market?

14                   MS. CANNON: Yes. Cathy Cannon with Kelley Drye.  
15      We will be addressing that further in the brief, but the  
16      basic two statutory factors are met here and we will walk  
17      through the specifics based on the data in the questionnaire  
18      responses.

19                   I will note that there was one question in the  
20      questionnaire that was misunderstood by virtually all the  
21      members of the industry, so the answers that you received  
22      were the opposite of what they should be, and we will be  
23      correcting that. So that may be puzzling you now as to why  
24      you're seeing a certain response, but we will be fixing  
25      that.

1                   MR. SZUSTAKOWSKI: I appreciate that. Thank you.  
2                   This morning Respondents were testifying that the domestic  
3                   industry just recently was announcing a price increase  
4                   announcement.

5                   Have any of you all announced any price increases  
6                   for wire rod?

7                   MR. CANOSA: Marcelo Canosa with Gerdau. Yes, we  
8                   did announce a price increase recently.

9                   MR. SZUSTAKOWSKI: Has that stuck? Is this  
10                  something that you were able to maintain?

11                  MR. CANOSA: So I'd rather talk about the Period  
12                  of Investigation and get to where we are today. So this  
13                  morning they talk about price announcements and price  
14                  letters that were sent to the market. It doesn't mean that  
15                  when we send a price letter to the market we get a price  
16                  increase.

17                  When we send a price letter in the market, yes,  
18                  in most cases we try to cover our raw materials' cost  
19                  increase. But most of the case we have to draw back and  
20                  compete with the import low prices. So those price  
21                  announcements are irrelevant in the market.

22                  You see, in the Period of Investigation you see  
23                  the price of scrap going up and scrap going down, and yes,  
24                  scrap was one of the main factors for us to change price to  
25                  cover our costs. And you see through all the Period of

1 Investigation that we not only got the price depression but  
2 price suppression because of the imports that were in this  
3 market.

4 MR. SZUSTAKOWSKI: Mr. Ashby?

5 MR. ASHBY: Steve Ashby with Keystone. So yes,  
6 we've announced price increases. And you heard this morning  
7 how price increases are always attached to scrap and maybe  
8 indexing as a way to look at it with regard to the Chicago  
9 shred or whatever. The fact is that things do--

10 MR. ANDERSON: Pull your mike a little closer,  
11 please.

12 MR. ASHBY: Things do well with scrap, but scrap  
13 is not a price increase. You need to increase your base  
14 prices to actually have a price increase to gain margin  
15 position. There's no margin gain in following scrap.

16 MR. ARMSTRONG: Chris Armstrong, Keystone  
17 Consolidated Industries. If I might add something else,  
18 imports take at least a few weeks to react to any increase  
19 in demand and pickup as a result of orders from those. So  
20 In quarter one things got slightly better of this year. It  
21 would have been far better if we hadn't had the import  
22 onslaught of quarter four of last year, which was dire and  
23 was just as dire as quarter four of the year before that.

24 But so it's true we could take advantage of those  
25 price increases, but I do expect the imports imminently to

1 catch up with that demand expansion, as slight as it was.  
2 And I think I worry for the quarter that we're in, and  
3 certainly the third quarter of this year.

4 MR. NYSTROM: If I could add, you know basically  
5 prices get determined by supply and demand. And it's really  
6 going to be based on the supply of the cheap wire rod  
7 imports. While we announced price increases and price  
8 adjustments, we're constantly trying to make sure that we're  
9 able to realize a fair return.

10 Just because as was mentioned earlier we issue a  
11 letter, doesn't mean we actually get the increase, or all of  
12 the increase. But make no mistake, the market sets the  
13 pricing based on supply and demand. And even the smallest  
14 amount of cheap import wire rod has a huge impact on wire  
15 rod pricing in the market, despite what we might announce  
16 and try to recover.

17 And clearly some of the financial data supplied  
18 kind of demonstrates that we have not been able to generate  
19 a fair return over the last three years on this particular  
20 product, despite the comments that were made about us being  
21 able to raise prices and have our rod customers who we  
22 appreciate very much at our mercy. That's just not the  
23 case.

24 MR. SZUSTAKOWSKI: What's the utility of the price  
25 announcement when--if you're saying that you're in the midst

1 of competing with allegedly unfairly traded imports and you  
2 make these price announcements? What does that do, like  
3 when you send this letter out about a price increase? Is  
4 that just a market for negotiating position that you then--

5 MR. NYSTROM: Yeah, if I could add, that's exactly  
6 it. You put your notice out that it's your intention of,  
7 hey, we need to make some adjustments to our customers. So,  
8 you know, from that we get a lot of feedback that comes back  
9 from our customers on competitive situations, and maybe what  
10 import pricing impacts are that are in the market, and we'll  
11 settle out on some negotiated price for the next set of  
12 orders.

13 MR. ASHBY: Steve Ashby, Keystone. I would just  
14 suggest that that's just the start of the negotiation.  
15 That's what that price increase does. So we get feedback  
16 from our customers based on what's happening domestically as  
17 well as what's happening with low-priced imports at that  
18 time. And then and only then do we make some determination  
19 with our customers about how that price can be developed.

20 MR. ARMSTRONG: Chris Armstrong, Keystone  
21 Consolidated Industries. I'd like to add as well that, much  
22 to the testimony and answer to the previous question, the  
23 damage was so severe--and you can see that from the  
24 information, the confidential information that's been  
25 provided--particularly over the Period of Investigation,

1 that it's to start negotiation with a request for a price  
2 increase, which is all it is. It's just a request, and it  
3 is a negotiation, and it is hard fought when those  
4 negotiations start.

5 It is --- if you're at the bottom of a hole, it  
6 doesn't mean to say you get out of the top of it because of  
7 the price request. And indeed that is the situation that we  
8 still even find ourselves in.

9 We are not recovering, even with the price  
10 increases requested for the first quarter of 2017 from the  
11 damage that's been caused by the import prices, and those  
12 import prices being used by the Respondents to negotiate  
13 down our prices.

14 MR. PRICE: Alan Price, WileyRein. I'd actually  
15 like to go back to the public version, Chart 9, that  
16 hopefully everyone has here, which is the import volume  
17 chart.

18 And in 2011 the subject imports, and it actually  
19 would be the Chinese imports, you can see where about  
20 200,000 tons, and you can see the import levels increase  
21 over this whole period.

22 MR. ANDERSON: I'm going to need you to speak  
23 directly into your mike.

24 MR. PRICE: Okay. You can see the subject import  
25 and the Chinese imports increase over this period in

1 combination here. In 2011, the industry operating profit  
2 was 7 percent, based upon your public numbers for the entire  
3 industry as a whole. In 2012, it was 5.1 percent as the  
4 imports increased from both these countries and the Chinese.  
5 It plummets to 4.1 percent in 2013. The '14, '15, and '16  
6 data you have in this record, and again this is not the  
7 captive numbers but you should look at the entire industry  
8 record numbers and see a continued downward trend.

9           What has changed in this from 2011 forward is a  
10 tremendous surge of dumped and subsidized imports, first  
11 from the Chinese and then from the subject producers. It  
12 isn't intra-industry competition. Intra-industry  
13 competition has been the same throughout this whole period.

14           Basically the same group of producers have been here, with  
15 the exception of two companies that have actually gone out  
16 of business.

17           What has fundamentally changed is an increase in  
18 import volumes and the price competition as the imports and  
19 the domestic industry fight it out for the market.

20           MR. ROSENTHAL: Mr. Szustakowski, I know you're  
21 focusing on the announcement issues that were described, but  
22 I just want to elaborate on what Mr. Price had to say just  
23 so there's no mistake about the domestic industry's position  
24 in this case.

25           Our view is that we have been injured, the

1 domestic industry has been injured throughout this Period of  
2 Investigation. We start off at the low point of the China  
3 investigation, as Mr. Price noted, and have stayed at that  
4 essentially low and unsustainable profitability level. So  
5 unsustainable that the domestic industry witnesses have  
6 testified to their inability to make the investments as  
7 you've heard, and have been forced to lay off workers and  
8 close facilities.

9 So whatever momentary price announcements are  
10 made, number one they're not realized into actual price  
11 increases. Number two, they're not necessarily even  
12 reflected in increased profitability because a lot of these  
13 announcements are merely intended to cover increased costs.

14 And finally, so far we've seen no real change in  
15 the industry's condition despite any announcement you may  
16 have heard about in the overall profitability of the  
17 domestic industry, which continues to have this overhang of  
18 low-priced, large volume of imports.

19 MR. SZUSTAKOWSKI: Thank you for those answers.  
20 Let's dive into the 1080 tire cord. So I suspect that you  
21 will be arguing that the domestic like product is  
22 coextensive for the scope of these investigations.

23 Do any of the present U.S. producers make 1080  
24 grade tire cord wire rod?

25 MR. ASHBY: Steve Ashby, Keystone. So we make

1 1080 steels every day. We make that mainly for PC strand  
2 applications, but we also--

3 MR. ANDERSON: Steve, I need you to get closer to  
4 the mike. People in the back can't hear you.

5 MR. ASHBY: Okay. Thank you. We make 1080 every  
6 day. So mainly for PC strand. We also make tire bead on a  
7 production basis.

8 MR. SZUSTAKOWSKI: I'm sorry? On what basis?

9 MR. ASHBY: Tire bead. We're actually in  
10 production in a regular basis on tire bead. We don't make  
11 tire cord today.

12 MR. SZUSTAKOWSKI: Are the U.S. producers--

13 MR. CANOSA: Marcelo Canosa with Gerdau. We make  
14 1080 grade. We don't make tire cord.

15 MR. ROSENTHAL: We think the record will reflect--  
16 this is Paul Rosenthal--that there is at least one U.S.  
17 producer that makes 1080 tire cord, but we can amplify that  
18 in post-conference brief.

19 MR. SZUSTAKOWSKI: Can 1080 tire cord wire rod be  
20 made in an electric arc furnace? I think we heard 1080 or  
21 higher. Is there any truth that you need a BOF furnace to  
22 do this? I'd like to hear, ideally now, if using an EAF if  
23 it's possible to make 1080 grade wire rod.

24 MR. NYSTROM: If I could, Eric Nystrom, Nucor. We  
25 do not make tire cord today. But what I will say, just in

1 general on the steel making process, that using the BO, the  
2 basic oxygen process, basic oxygen furnace, or the EAF, you  
3 can make low-carbon through high-carbon grades of steel, low  
4 alloy, high alloy grades of steel. Basically they're just  
5 two separate processes. A little bit different, but it's  
6 really about creating the chemistry of the grade of steel  
7 with the appropriate cleanliness of the grade of steel, as  
8 was mentioned.

9 In a basic oxygen furnace you start with pig iron  
10 provided from a blast furnace. An an EAF you start with  
11 scrap. You add pig iron. You add DRI, direct reduced iron,  
12 and you can greatly homogenize and purify and reduce some of  
13 the residual elements to make a very consistent steel, as  
14 well. And you can add very high amounts of DRI, you can add  
15 high amounts of pig iron as well. Producers around the  
16 world do that.

17 And again, you can make the full range of steels.  
18 And likewise on the basic oxygen furnace, scrap is added  
19 into that process up to 25 percent or so. And then you  
20 produce a billet. And then once it's rolled on a wire rod  
21 mill, that process is pretty uniform throughout producers in  
22 this country and around the world.

23 So there is a little difference there from the  
24 steel making side, but as far as getting to the desired  
25 carbon level it's very easy. As far as getting to the

1 chemistry and the cleanliness, they both take some attention  
2 to detail and refinement. Both are possible, but just two  
3 separate manners to get there.

4 MR. SZUSTAKOWSKI: So if it's possible, then have  
5 U.S. producers tried to make 1080 grade or higher tire cord  
6 wire rod? And have they been--are any of these certified?  
7 It sounds like the downstream consumer of this product is  
8 expecting some sort of certification for this product. Are  
9 you familiar with that process? Is it something you can  
10 speak to now?

11 MR. NYSTROM: Yes. From Nucor's perspective, with  
12 our particular--one of our newer facilities, the Darlington,  
13 South Carolina, facility, we are involved today in trials on  
14 1080 bead. And we are going to continue to pursue those  
15 trials.

16 We have options available between not just that  
17 local melt, but also melt from our Memphis facility, as  
18 well. We have not necessarily prioritized it to date. It  
19 hasn't been necessarily something based on the economics  
20 that we wanted to dedicate the time and resources to it at  
21 this particular point in time.

22 It's not to say that we can't or we won't. It's  
23 just kind of where we've been today in the process based on  
24 today's marketplace.

25 MR. ASHBY: Steve Ashby, Keystone. So we do use a

1 pig iron when we're looking at low residual steels,  
2 particularly for high carbon grades like 1080, and 1070  
3 grades of steel. We do that all the time, and it's very  
4 important that we get the right recipe between pig iron and  
5 scrap as we melt it.

6 Should we pursue tire cord? It's a great  
7 question, and probably we could if the prices were better.  
8 But the import prices are so low right now there's no need  
9 to proceed.

10 MR. ARMSTRONG: Chris Armstrong, Keystone  
11 Consolidated Industries. To carry on Steve Ashby's point,  
12 this is where I see these products being no difference  
13 between them in terms of the injury caused by the imports.

14 We, as I said in my testimony, have indeed gone  
15 down trying to invest in the higher grade and higher quality  
16 that's required in the steel industry to keep on investing.  
17 In fact as we heard with the Respondent from, representing  
18 the UK. But we have had to postpone those developments,  
19 which again injures us, as even the imports of low carbon  
20 reduce our margin drastically to the negative on low-carbon  
21 rod and medium and high carbon rod. The investments that  
22 we've already made do not achieve the return on capital  
23 employed, and that causes us to have to delay the projects  
24 because we simply do not have the cash to actually invest in  
25 them. It's a luxury we do not have.

1           We very much use debt in our companies, and if  
2           you look across the accounts of all of our people sitting at  
3           this bench you will see a big use of financing in trying to  
4           support those investments.

5           If you look at some of the accounts of the  
6           Respondents, I would wager some in particular I know because  
7           they're public companies do not have debt at all. And some  
8           of the Respondents from foreign countries were the  
9           beneficiaries of either very sweeping, effectively  
10          quasi-bankruptcy processes as in the United Kingdom, where  
11          that company, British Steel, as it was called in its birth  
12          day being apparently in the past 12 months, that site has  
13          had steel processing on it continually since the mid-19th  
14          Century, and was recently sold for one pound because it was  
15          so unprofitable because of heavy imports in their country.

16          And a lot of liabilities were alleviated with the  
17          purchase, with the acquisition of this conditional  
18          acquisition that did not go with that acquisition, which  
19          resulted in a major cost shift of that company.

20          They used that opportunity to invest in the  
21          higher products like tire bead and so forth, but note that  
22          they have to export because they don't have a market for it  
23          in their own domestic market.

24          And so the whole import price injury cuts across  
25          all grades, all products, all specifications, even if the

1 injury is caused at the lower end of the range. It  
2 constrains the U.S. domestic industry from responding to  
3 that.

4 MR. SZUSTAKOWSKI: I think Mr. Price is waiting to  
5 say something, but I'm happy to ---

6 MR. PRICE: If you have another question for him,  
7 go ahead.

8 MR. SZUSTAKOWSKI: No, that's okay. Go ahead.

9 MR. ROSENTHAL: If you don't mind?

10 MR. SZUSTAKOWSKI: Sure.

11 MR. ROSENTHAL: I just wanted to clarify really  
12 two things that were said about the tire cord and bead by  
13 the Respondent, and then follow up your question.

14 There was an exemption granted in the early 2000  
15 case to deal with this issue. And I would argue it was a  
16 mistake for the domestic industry to do that. We did it at  
17 the behest of some of the customers in the back of the room  
18 who asked for that, and the idea was that if we did that,  
19 the domestic industry did that, there would be an  
20 opportunity to work with its customers to develop that  
21 product and begin to sell that product to them.

22 That ultimately did not materialize the way the  
23 domestic producers had intended in large part because  
24 pricing overall did not improve for that product. And why  
25 was that? Because it was exempted from the scope of the

1 case--not because it was not the same like-product, which I  
2 want to come back to at another point--but because there was  
3 a practical decision made, we're going to exempt that in the  
4 hopes that we'll be able to work with our customers to  
5 develop that product and pricing will get better in the  
6 future. That did not happen.

7           Every one of these companies is capable of  
8 producing that product. Several of them in this room who  
9 had developing plans for making that product, but pricing  
10 was not favorable to do that.

11           The reason why we did not grant an exemption in  
12 the China case and this one, too, is for exactly the same  
13 reason. Once that exemption is granted, there is no  
14 incentive for the customers to work with the domestic  
15 producers to develop that product, which they're fully  
16 capable of making.

17           It is an economic decision, not a physical  
18 characteristics issue, not a capability issue. It's an  
19 economics decision. If the price is right, every one of  
20 these companies can make it.

21           MR. SZUSTAKOWSKI: Mr. Price.

22           MR. PRICE: Alan Price, Riley Rein.

23           Two other things just to go into that 1080 tire  
24 cord exemption that existed it's actually also been an  
25 enforcement nightmare in a lot of these cases because a lot

1 of other things have been -- and people have forced into  
2 that definition, so that definition is not an actual -- you  
3 know is something that I think could be used at this point  
4 effectively or we'd have serious concerns and have to really  
5 -- it'd have to be fundamentally examined.

6 And as the other side says, there's been a lot  
7 of changes out there, so I don't know what they're calling  
8 tire cord and what they're not at this point, but it would  
9 be a big issue going forward.

10 There's also sort of a false premise here based  
11 upon steel mill configuration. Wire rod production is the  
12 charge of basically a billet into a rolling mill at the end  
13 of the day that rolls the wire rod. Most mills, but not all  
14 mills in the United States or globally, actually produce  
15 their own billets and blooms. There are a variety of mills  
16 that have sourced and including this type of billet globally  
17 and then roll them. So even if your own mill have the hot  
18 end at all it doesn't mean that you cannot roll this product  
19 and produce this product. So there are a variety of  
20 complications in there and we can address it more in the  
21 post-hearing brief, but we want to make sure that some of  
22 these are out on the table.

23 MR. SZUSTAKOWSKI: Thank you. That actually  
24 concludes my questions. I appreciate your answers.

25 MR. ANDERSON: Alright, thank you, Mr.

1 Szustakowski. And now Ms. Viray-Fung.

2 MS. VIRAY-FUNG: Good afternoon. Thank you for  
3 being here. Let's stay on the topic of domestic-like  
4 product for just a minute longer. I'm hearing some answers.  
5 I know I expect everybody is going to expand on this  
6 significantly in your post-conference briefs. I'd be  
7 curious in hearing a nutshell rendition of what your  
8 domestic-like product response is.

9 MS. CANNON: This is Kathy Cannon.

10 Let me start with a few responses. First, they  
11 claim that one reason you should consider changing the like  
12 product from what you'd defined it to be back in the earlier  
13 case from the 2000s was because at that time the tire cord  
14 was excluded from the scope, so the scope was different. I  
15 mean that's really backwards in my mind. If you've excluded  
16 it from the scope and you've nonetheless included it in the  
17 like product, which is what the Commission did in the  
18 earlier round of cases all the more reason to put it in the  
19 like product when it is in the scope here.

20 Number two, they've made several claims that one  
21 of the reasons you should treat it as a separate like  
22 product is because we don't make it, but it's basic law that  
23 a domestic-like product cannot be defined by something the  
24 U.S. industry doesn't make, so if, in fact, there was  
25 something that they're identifying that we don't make you

1       couldn't name that as a like product. You'd have to find  
2       the most similar product that we do make.

3                       And the third legal point I would add is that  
4       when they've tried to differentiate the product based on the  
5       production process, the basic oxygen furnace versus EAF  
6       process and said that's one of the factors you consider,  
7       manufacturing process. They're using that in the wrong  
8       context because in the domestic-like product analysis you  
9       only look at that factor if in the United States you have  
10      two products being produced during two different processes.  
11      So if you had two products, one of which was produced using  
12      that process and one was used doing a different process that  
13      would be a factor to consider. But what they're saying is  
14      you know we produce it that way overseas. Here they  
15      produce everything using the EAF process. That doesn't  
16      differentiate your analysis for purposes of defining a U.S.  
17      like product, so it's a mistaken application of that  
18      particular point.

19                      In the end, and we'll brief this more thoroughly  
20      going through your normal six like product factors, I think  
21      you will find that the analysis and the facts that the  
22      Commission considered to reach this conclusion that it was a  
23      single-like product coextensive with the scope of the case  
24      here is basically the same analysis that you undertook in  
25      the earlier case.

1 MS. VIRAY-FUNG: Anyone else?

2 Okay, moving on, domestic industry, on page 15  
3 of the petition there was a note that Evraz Rocky Mountains  
4 shares has the same parent company as a Russian producers.  
5 Do the Petitioners have any information regarding whether  
6 appropriate circumstances exist to exclude Evraz from the  
7 domestic industry as a related party?

8 MS. CANNON: We do not believe that Evraz  
9 should be excluded as a related party and we will address  
10 that more specifically in our brief.

11 MS. VIRAY-FUNG: Thank you. Any further related  
12 party issues that we should be aware of? Okay.

13 So we heard earlier that demand was flat,  
14 possibly declining. Maybe this was addressed, but I  
15 might've missed it. What were the factors that caused flat  
16 or declining demand?

17 MR. CANOSA: Marcelo Canosa with Gerdau.

18 It's difficult to point to one sector. Wire rod  
19 is one market out there that serves different industries.  
20 You have the construction industry that's been picking up  
21 slowly. You had the oil and gas industry that was down  
22 significantly in the last couple of years. You had the  
23 automotive that's been up there, but flat in the last couple  
24 of years, so it's difficult to point to what was the cause  
25 for the market to be flat to maybe slightly down in the

1 last year. That would be my comment. We, at Gerdau, are  
2 projecting the market to be flat this year again, the wire  
3 rod consumption to be flat again.

4 MS. VIRAY-FUNG: For this year?

5 MR. CANOSA: For this year.

6 MS. VIRAY-FUNG: What about in the future?

7 MR. CANOSA: We can speculate what's going to  
8 happen with the infrastructure. I think one of our  
9 customers in the early morning talked about the Buy  
10 American, justifying the Buy American is going to increase  
11 by the infrastructure projects, so you can speculate that  
12 that could increase the demand of wire rod, but waiting to  
13 see first.

14 MR. ROSENTHAL: This is Paul Rosenthal.

15 As we've seen from other Buy America and other  
16 infrastructure I would say proposals, it takes a long time  
17 to get from a proposal to enactment and implementation. If  
18 a new infrastructure bill were enacted tomorrow, I think you  
19 wouldn't see demand increasing as a result of that for years  
20 to come or until years passed because even with the shovel  
21 ready projects in the URA back in 2009 there really wasn't  
22 that much of an increase in demand, at least I remember  
23 having conversations about steel and wire rod and other  
24 products and you didn't see much happen any time soon.

25 MR. NYSTROM: And if I could add, on the Buy

1 America provision, it's still a pretty small portion of the  
2 wire rod consumption here in the United States, so you know  
3 how much that we see an infrastructure build out you know  
4 again if there's Buy American that isn't necessarily going  
5 to be a large percentage of the wire rod market.

6 MS. VIRAY-FUNG: Do you know what percentage it  
7 is or can you say in the brief?

8 MR. NYSTROM: I really do not, other than it's  
9 small.

10 MR. ARMSTRONG: Keith Armstrong, Keystone  
11 Consolidated Industries.

12 Just to add further, it wasn't going to be my  
13 original point, but to the Buy American provision, which is  
14 relatively small in the rod -- I mean it's certainly under  
15 10 percent of demand.

16 Remember as well, though, when we're dealing  
17 with Buy America projects, it's not that a hundred percent  
18 of the material should be American. It's that a certain  
19 percentage, very high percentage admittedly has to be  
20 American sourced. As a result, the use of imports can still  
21 be used as a price weapon against us and that is indeed why  
22 many of the people behind me, indeed, keep a balance of  
23 import and domestic purchases because they use the import to  
24 control the prices in the domestic market, so that was just  
25 to add to that point.

1                   But to go back to your original question, if I  
2                   may, which was why has demand remained flat, slightly  
3                   waning, in my view it's because nothing's changed. Despite  
4                   the hard work of this Commission in terms of finding against  
5                   China, and that ruling, I suppose the whole point of this  
6                   hearing is to show that that was replaced and some. And so  
7                   on the supply side, you came back and nothing changed. And  
8                   on the demand side, notwithstanding the infrastructure  
9                   projects which haven't been approved yet and will be still  
10                  years in the making to actually come to fruition, the  
11                  economies of the world, as you can see by the growth rates  
12                  has been relatively flat and nothing has really changed very  
13                  much in that and so really it's rather a statement of the  
14                  obvious again, but nothing changed from our perspective in  
15                  terms of that supply and demand equation to shift those.

16                  MS. VIRAY-FUNG: So you're saying global demand  
17                  has also been flat or declining?

18                  MR. ARMSTRONG: I think, as you can see, China  
19                  -- just to use that example, China had a vast reduction in  
20                  its growth of which it's still bubbling along at the 6  
21                  percent level, but all that does is create -- and the UK the  
22                  same in terms of still reeling from the great recession and  
23                  all that does is every company has to -- particularly the  
24                  people who are importing into this country have to find an  
25                  output for their production.

1                   And as I said in my testimony, there is no  
2                   consequence to their domestic markets as to what the price  
3                   would be when they send it offshore and also we live in this  
4                   great country and this great country is one of the highest  
5                   consumers of everything, including steel, and so it's a  
6                   natural location to send your product to and far and away  
7                   above any of the other countries outside of China because --  
8                   China is actually the only country that actually beats  
9                   America in terms of steel consumption and of course good  
10                  luck trying to import steel into China, so yes, across  
11                  worldwide and that is, in fact, probably been behind the  
12                  expansive exports as well. And when this Commission really  
13                  did great work to pass a ruling on China, the others that  
14                  were left out, the people that are the subject of this  
15                  hearing saw that opportunity and took advantage of it.

16                  MS. VIRAY-FUNG: Thank you.

17                  In the petition you indicated that domestic  
18                  production capacity fell between 2014 and 2016. Was that  
19                  due to the closure of ArcelorMittal; were there other  
20                  factors that caused this reduction in capacity?

21                  MR. CANOSA: Marcelo Canosa for Gerdau.

22                  I can only speak for Gerdau and our domestic  
23                  capacity hasn't decreased.

24                  MR. VIRAY-FUNG: I'm sorry; what was that?

25                  MR. CANOSA: Our domestic capacity hasn't

1 decreased.

2 MS. VIRAY-FUNG: Has not decreased.

3 MR. CANOSA: I'm just speaking for Gerdau.

4 MS. VIRAY-FUNG: Okay.

5 MR. ROSENTHAL: I think we'd prefer to answer  
6 the rest of that in our post-conference brief so we can give  
7 you the full picture for all the companies who supplied  
8 data.

9 MS. VIRAY-FUNG: Okay, thank you.

10 Maybe this will be also for the post-conference  
11 brief, were any producers shifting any portion of their  
12 capacity to produce another product?

13 MR. ROSENTHAL: I think we'll answer that one in  
14 post-hearing as well.

15 MS. VIRAY-FUNG: Okay.

16 Were there any supply constraints the domestic  
17 industry experienced during the POI?

18 MR. CANOSA: Marcelo Canosa with Gerdau.

19 We had no supply constraints.

20 MR. ASHBY: Steve Ashby, Keystone.

21 There was no constraints whatsoever. In fact,  
22 during the POI if one of our customers called and maybe  
23 their imports were late on every inquiry we made sure that  
24 we helped them and we got them the product that they needed  
25 when they needed it.

1 MS. VIRAY-FUNG: So there were no instances  
2 where a domestic producer could not meet a customer's  
3 quantity request?

4 MR. ASHBY: Not at Keystone.

5 MS. VIRAY-FUNG: Okay.

6 MR. NYSTROM: Eric Nystrom from Nucor. I would  
7 say the same. You know what you couldn't find from time to  
8 time is something in a particular mill that has a short lead  
9 time request that may not be able to be reached, but across  
10 Nucor Corporation we did not have any supply constraints  
11 during the period of investigation here.

12 MR. PRICE: Alan Price.

13 So we've seen across the series of steel cases,  
14 oh, there's a two-day outage or a one-week outage or a  
15 three-week outage or something like that that might happen  
16 at an individual facility, but across the mills, across the  
17 industry there's plenty of capacity available. These are  
18 not the types of little blips -- those little blips don't  
19 cause hundreds of thousands of tons of imports to come in.  
20 It would take you know several months to come in. Anything  
21 they point to is sort of these red herrings and they keep on  
22 getting thrown out in case after case to distract the  
23 Commission.

24 MR. CANOSA: Marcelo Canosa.

25 To add to Mr. Price's comment about the outage,

1       yes, sometimes we do have plant outage in our mills that  
2       might have a blip here and there of delayed delivery, but  
3       that's normal for the operations. It's not a fundamental  
4       problem of not delivering the material or not having  
5       capacity.

6                   MS. VIRAY-FUNG: Thank you.

7                   I'd like to shift to pricing and raw materials.  
8       I'm hearing a lot about scrap prices. Scrap prices  
9       increased, decreased during the period of investigation?

10                  MR. NYSTROM: Eric Nystrom, Nucor.

11                  Scrap prices are continually increasing,  
12       decreasing. They're really they're all over the place. And  
13       certainly over the last few years and we would expect that  
14       to continue. But again, I'll just go back to you know the  
15       market's supply and demand is really what drives what our  
16       domestic pricing is. And in the presence of cheap imports,  
17       even small quantities, they really drive the pricing that we  
18       need to transact at regardless of what's happening with our  
19       scrap. Hopefully, we can recover our costs, but you know  
20       it's basically you've got to sell according to market and  
21       keep volumes on the mills and keep everybody working.

22                  MS. VIRAY-FUNG: Okay.

23                  MR. ASHBY: Steve Ashby at Keystone.

24                  There are lots of other costs to produce steel  
25       than just scrap. That's all you've heard about today, but

1       there's natural gas costs.    There's electric costs.  
2       There's labor costs.   And more importantly, for us, there's  
3       environmental costs and these are some of the things that  
4       some of the imports don't have.   We spend a lot of money to  
5       make sure that we do things correctly and the right way and  
6       that's important to note.

7                   MS. VIRAY-FUNG:   That actually brings me to my  
8       next question.   What were prices for gas and electricity  
9       like during the period of investigation?

10                   MR. ROSENTHAL:   I'll answer that post-hearing  
11       please.

12                   MS. VIRAY-FUNG:   Okay.

13                   MR. ARMSTRONG:   Chris Armstrong, Keystone  
14       Consolidated Industries.   I would just like to add to that  
15       countless things in regard to that conversation.   Firstly,  
16       obviously if any of our costs went down -- scrap included we  
17       would never voluntarily change our price to it.

18                   If prices are fluctuating in response to scrap it  
19       is because we have been forced to -- by the people sitting  
20       behind me.   We would -- and in fact one of the Respondent's  
21       this morning was complaining that when scrap went down we  
22       didn't reduce price.   I can't quite recall who it was but  
23       obviously we try and get the highest price we can possibly  
24       achieve.

25                   It's the market price which drives the price we

1 can achieve not the cost. I would also like to address  
2 another point that I heard raised this morning and that is I  
3 assume in some way to kind of highlight that operating  
4 profit margins were so injured and weak as a result of the  
5 price having to compete with imports it was because costs  
6 went up, other costs that Mr. Ashby has just referenced to.

7 I know that it is going to be spoken to in the  
8 confidential part of this hearing but I would like to speak  
9 to one part because it really deserves a thank you from  
10 Keystone to its work force.

11 Our work force in Peoria, Illinois agreed  
12 voluntarily decided not to take a pay increase for the last  
13 three years and that's significant to them and that was  
14 because they knew with the experience of having gone through  
15 a bankruptcy before was that you have to take action.

16 And for instance they knew we explained the  
17 situation to them and that was what everybody decided to do  
18 and so actions have been taken is not the case automatically  
19 as a cost of which there are many in addition to scrap which  
20 is what Mr. Ashby was referring to but it was not in the  
21 case that they have increased.

22 In fact people have made great sacrifices in the  
23 steel industry to try and remain competitive.

24 MR. ROSENTHAL: Paul Rosenthal one last point of  
25 view. If you go to confidential slide 18 you will see again

1 our point which was that the raw materials declined over the  
2 entire period of investigation, was exceeded by the net  
3 sales decline.

4 So whatever the Respondents want to say, whatever  
5 indices that they want to use that are averages, et cetera  
6 from the American metal market, they are misleading. You  
7 need to look at the actual data from the industry  
8 questionnaires to see what really happened with respect to  
9 raw material prices and sales prices.

10 And again, keeping in mind, raw materials is just  
11 one part of the overall costs. And by the way, one last  
12 point on this -- I know Mr. Cunningham thinks that was a  
13 great victory when -- and in the flat rolled cases that the  
14 Commission didn't find price suppression when there were  
15 declining raw material costs but they found injury. And do  
16 you know why? It was suspect that with the declining raw  
17 material costs that the industry would get more profitable  
18 but in those cases and in this one it did not.

19 You see anemic profitability throughout the  
20 period of investigation, even in the wake of declining raw  
21 material costs. And why is that? Because the market prices  
22 that are set by the imports.

23 MS. VIRAY-FUNG: Thank you. My last few  
24 questions are concerning non-subject imports. Could anybody  
25 discuss their prices, whether or not they are higher --

1 priced higher or priced lower than subject imports?

2 MS. CANNON: Kathy Cannon, if we are going to get  
3 into specific prices I think we probably should do that in  
4 the post-hearing. I think the general comment is that the  
5 countries that have been targeted here have been targeted  
6 for a reason and that is because those are the countries we  
7 have identified as being the unfair traders and have caused  
8 us injury.

9 The countries that are large that we haven't  
10 targeted we have not reached those findings but I can get  
11 into more specifics on the actual prices. And for the same  
12 reason these are the ones that we are having the primary  
13 price problems with as well.

14 MS. VIRAY-FUNG: Okay thank you. That concludes  
15 my questions.

16 MR. ANDERSON: Thank you Mr. Knipe?

17 MR. KNIPE: Hello everyone thanks for being here.  
18 A lot of my colleagues have asked generally a lot of my  
19 questions so I am going to piggy-back on a lot of those so  
20 forgive me if I repeat myself.

21 On supply -- you have talked about the shut-down  
22 of two facilities, ArcelorMittal and Republic and I see the  
23 overall domestic capacity contracted. Do you attribute that  
24 primarily to the shutdown of these facilities?

25 MR. ROSENTHAL: In general I would say yes but I

1 really would prefer if we did this in a deep, more  
2 thoughtful way in a post-hearing brief to analyze the actual  
3 data, company by company and overall basis.

4 MR. KNIPE: Okay. If you could also address --  
5 I'm trying to wrap my head around the timing of these firms  
6 closing and the role of that in purchased patterns. I know  
7 in 2009 ArcelorMittal announced plans to idle some of its  
8 plant and I think Ms. Brown said in 2016 at some point the  
9 other firm did.

10 A -- has the domestic industry been able to  
11 attract any of the customers from those two firms? And B --  
12 did you notice a spike in the demand in any way based on the  
13 shutdown of those firms or was the purchase pattern for the  
14 most part fairly spread out, in other words firms  
15 anticipated contractions and the need to diversify sources?

16 MR. ROSENTHAL: Let me just do the summary answer  
17 and then we will get into it more in the post-hearing brief  
18 because I think some of this has been testified to a little  
19 bit which was that I think some of the companies around the  
20 table have said that they did get some increased sales as a  
21 result of the ArcelorMittal closure but the sales were at  
22 really depressed prices and so they didn't see the bump that  
23 they were hoping to get.

24 I believe Mr. Armstrong's testimony talked about  
25 how there was anticipation that this would be something

1       beneficial to their survivors but it didn't work out that  
2       way. And again we will address this more fully.

3                   MR. KNIPE: Thank you.

4                   MR. ARMSTRONG: Eric Nystrom with Nucor. I would  
5       just add that you know we have a mill that was regionally  
6       located near one of the mills that was shut down. And I  
7       will tell you that during this particular period there were  
8       just so many imports that were arriving that although we did  
9       see some benefit with some new opportunities, we still had  
10      plenty of available capacity and were still operating at low  
11      capacity utilization just with the tremendous flood of the  
12      chief imports that were arriving.

13                  And again the new opportunities I think that were  
14      just mentioned that we may have had were again at very low  
15      pricing levels as well.

16                  MR. ARMSTRONG: Chris Armstrong, Keystone  
17      Consolidation Industries just to support Eric there. There  
18      was a press release put out by ArcelorMittal contrary to  
19      what was testified to this morning that clearly stated that  
20      the reason Georgetown was closed down was because of imports  
21      period.

22                  It's therefore no surprise that it sat within a  
23      very intense import competitive area that therefore that  
24      also stymied the advantage and benefit from the closure of  
25      that plant. But ArcelorMittal clearly stated that it was

1 not -- that it was imports as to why they had to close their  
2 plant, not because of some being clogged up.

3 If I'm sure the prices were sustained they would  
4 have gone and cleared the bay.

5 MR. KNIPE: Okay thank you. On demand I haven't  
6 heard anybody make any statements suggesting there were  
7 other drivers of demand aside from construction, auto -- is  
8 that right generally? Okay you heard the Respondents this  
9 morning argue that demand had increased in the auto industry  
10 but I am hearing you all say that demand overall has been  
11 generally flat or even decreased, is that construction that  
12 has gone down then or do you disagree in general with the  
13 argument that auto industry has increased?

14 MR. ARMSTRONG: Chris Armstrong, Keystone  
15 Consolidated Industries. I'm not sure whether they are  
16 talking about demand for them but if they experienced a  
17 demand then it certainly seems like someone has been growing  
18 and congratulations to them. I wouldn't mind some of that  
19 growth myself.

20 Whilst that did not translate into growth for us  
21 but I am not quite sure where they are coming from for that  
22 of course, I didn't see it trickle down.

23 MR. ASHBY: Steve Ashby, Keystone. I would  
24 suggest that if our customers are seeing some of demand  
25 increase that has been captured by the low priced imports

1 that are coming into the country not the domestic industry.

2 MR. KNIPE: Okay so none of you have seen an  
3 increase in demand in the auto sector.

4 MR. CANOSA: Marcelo Canosa with Gerdau. As I  
5 stated I think the auto industry has been out there since  
6 the beginning of the period of investigation so we haven't  
7 seen an increase, that path is flat.

8 MR. NYSTROM: And just to add to that I  
9 definitely would agree that you know from the automotive  
10 side, '14, '15, '16 were pretty good years steady and  
11 increasing slightly.

12 I wouldn't necessarily believe that that makes up  
13 a great percentage of the wire rod overall consumption so  
14 when you see that I think you know, probably construction is  
15 a bigger market driver than what automotive would be for a  
16 lot of the wire rod applications.

17 MR. ASHBY: Steve Ashby, Keystone. I think  
18 somebody said this early too, the oil and gas industry has  
19 been devastated. Wire rod goes into a lot of oil and gas  
20 applications including ropes and things like that that are  
21 used in rigs and things like that so that's a real downturn  
22 for us.

23 MR. KNIPE: Okay so what is the breakdown in  
24 terms of drivers of demand in the construction, auto, oil  
25 and gas? If you need some time to dig into it in your

1 post-conference that's fine too.

2 MR. PRICE: We'll address it in the  
3 post-conference brief.

4 MR. KNIPE: Okay. Are there any other industries  
5 that consume scrap in large enough quantities -- this could  
6 be a naive question but to influence supply and demand in  
7 this market?

8 MR. NYSTROM: No I would say the steel industry  
9 is the major, major consumer of scrap in the United States  
10 and the world. It's really a world-wide basis.

11 MR. KNIPE: Okay so what other product does the  
12 steel market make that largely consumes scrap, what are the  
13 biggest players?

14 MR. PRICE: All. Seriously every steel product  
15 consumes scrap including whether it is BOF or EAF it all  
16 charge -- basic oxygen furnace or electric arc furnaces,  
17 they all charge scrap. The percentages will vary depending  
18 on what metallurgical combination you want to reach as Mr.  
19 Nystrom testified, but there is substantial scrap  
20 consumption throughout the steel industry and many of the  
21 foreign producers here today may even source their scrap --  
22 or at least several of the foreign producers here today may  
23 even source some of their scrap from the United States.

24 So it is a -- it is a globally traded item the  
25 scrap from the U.S. and it defies comprehension how someone

1 like the Turkish producers could export scrap -- could  
2 import scrap from the United States, melt it, roll it and  
3 turn it around and sell it at all at a profitable price.

4 MR. ROSENTHAL: Mr. Knipe I have to admit that  
5 this may not be helpful additional comment but there is an  
6 iron foundry industry that does consume a fair amount of  
7 ferrous scrap. It pales by comparison to the steel  
8 consumption, but there are other industries like that that  
9 are consumers of scrap and can affect the market to some  
10 extent.

11 MR. KNIPE: Okay so I mean you say there aren't  
12 say two or three major steel products that might influence  
13 that price, they are just numerous and they are varied, lots  
14 of head nods yes, okay. I'm fine leaving it there if you  
15 are, okay.

16 So most of you mentioned price increases based on  
17 scrap prices, does that ever work the other way around? In  
18 other words does an increase in demand of wire rod ever  
19 influence scrap prices?

20 MR. CANOSA: Yes absolutely. It's a supply and  
21 demand product beyond just the scrap that was the main raw  
22 material cost for the production of wire rod. So absolutely  
23 supply and demand drives price as well.

24 So your question goes the other way -- sorry you  
25 asked if it goes the other way -- yes, when scrap goes down

1 we sometimes depending on the supply and demand in the  
2 market we drop our price as well. But the one point we have  
3 to make here is when scrap was going down through the  
4 preliminary investigation which was right after the Chinese  
5 orders were put in place, were trying to get back to the  
6 sustainable amount of spread which is the difference between  
7 selling price and scrap cost that we had in the past for  
8 sustainability of our companies.

9 So several ways we tried to sustain our price  
10 when scrap was going down and the reality is you went the  
11 other way. You went further down than what scrap did in the  
12 market.

13 The same thing happened when scrap went up we  
14 were trying to compensate and increase our margin beyond  
15 scrap. Sometimes we didn't even convert a scrap increase  
16 throughout the period of investigation.

17 Again I think if you go back to the data that was  
18 provided it clearly shows the depression of price and  
19 suppression of our margin as well.

20 MR. KNIPE: Okay. Some of you mentioned that the  
21 economics just weren't there to incentivize tire bead  
22 production, Mr. Ashby how did tire bead prices compare to  
23 industrial grade prices?

24 MR. ASHBY: So typically prices in the  
25 marketplace --

1 MR. KNIPE: I'm sorry?

2 MR. ASHBY: Typically prices for bead are  
3 substantially higher than prices for industrial quality  
4 products. Also the cost of production is significantly  
5 higher. So margin positions may have to only be the same.

6 MR. KNIPE: What's different about the production  
7 process that makes the price higher?

8 MR. ASHBY: Low residual, big iron. The recipe  
9 to make the steel, the handling of the steel, the rolling of  
10 the steel, everything it all has to be looked at very, very  
11 carefully and closely.

12 Mainly though it is the melt shop with regard to  
13 residuals. It's all about the recipe. Less scrap more iron  
14 whatever your particular recipe happens to be. It's very  
15 significant in terms of billet production at the melt shop.

16 MR. KNIPE: Okay. Alright let me ask another  
17 couple questions on pricing. Surcharges don't really appear  
18 to play a role in this product as they do in other wire rod  
19 products like stainless steel -- are surcharges ever  
20 applied?

21 MR. NYSTROM: Yeah what I would add is that some  
22 particular products perhaps in cold head in quality you may  
23 have a base price and a floating surcharge probably similar  
24 to what you would see in the stainless type product as well.

25 Those tend to be a little longer term pricing

1 arrangements as well. But that is a fairly small percentage  
2 of the market that we are talking about here today.

3 MR. CANOSA: Marcelo Canosa of Gerdau. We don't  
4 practice surcharging wire rod.

5 MR. KNIPE: Okay.

6 MR. ASHBY: Most of what we do is indexing to Mr.  
7 Nystrom's comments -- if they are special alloys that we  
8 have to have additions to at the melt shop then certainly we  
9 take a look at that and then cold head -- it's more across  
10 the board, must smaller scale as to what we normally do at  
11 Keystone.

12 MR. KNIPE: Okay Mr. Nystrom you mentioned  
13 contracts -- on that topic I'm noticing that domestics  
14 appear to be selling slightly less via contract than they  
15 did in previous cases. Have you noticed any change over the  
16 course of this period of investigation with regard to the  
17 percentage of contract versus spot sales and why is that if  
18 so?

19 MR. NYSTROM: Really nothing with regard to our  
20 particular production have I seen anything you know  
21 structurally change. I guess to simply answer the question  
22 I haven't noticed anything in particular.

23 MR. CANOSA: Marcelo Canosa with Gerdau, we did  
24 note that some reduction in our portfolio of contracts  
25 versus spot orders and in our view the reason why is even

1       though you have a contract the price is negotiated sometimes  
2       monthly, sometimes quarterly.

3               And the imports are coming in at such a low price  
4       that the customers don't want to lock themselves into  
5       contracts to buy under that contract. So yes we have seen a  
6       reduction in contracts.

7               MR. NYSTROM: And probably just to clarify on  
8       that you know I wouldn't -- more like Mr. Canosa has  
9       mentioned program pricing rather than a take of pay on  
10       volume on a contractual agreement. So as you mentioned you  
11       may have an agreement in place and if something drastic has  
12       happened and on a competitive basis you will find that you  
13       know, those agreements don't necessarily hold up when the  
14       situations get pretty dire.

15               So it's a little -- not technically a contract,  
16       we call it more a program pricing and a mechanism.

17               MR. ARMSTRONG: Chris Armstrong, Keystone  
18       Consolidated Industries. From Keystone's point of view I  
19       would like to add to Steve's comments. I mean predominantly  
20       we have been affectively a purchase order, quite a spot  
21       purchase kind of an operation.

22               And that flexibility has served us well and our  
23       customers well historically. But what I would also like to  
24       add is if we are talking about contracts the injury caused  
25       by the low prices of imports that has been used against us

1 is even more structurally injurious to us as a result of our  
2 attempt -- our desperate attempt to try and keep our volumes  
3 up to make the plants at least break even, be efficient to  
4 try and keep labor in place and that has been exploited or  
5 is being exploited by attempts to introduce by contracts  
6 which I would not even call a contract, because they don't  
7 have a taker pay arrangements, quite the reverse.

8           They do have favored nation arrangements but  
9 there is no -- and if we, I would also ask far more requests  
10 for us to pay for inventory to sit on the ground for when  
11 the customers like them and that has cost us money. That is  
12 a working capital requirement for us and can escalate into  
13 the tens of millions of dollars of additional costs that we  
14 have to face.

15           And so whilst the old world of contracts has kind  
16 of perhaps died away for them we weren't ever really in that  
17 world. But what we have seen is a new world of contracts  
18 which has been exploiting our need for volume which we have  
19 heavily tried to resist.

20           MR. ASHBY: Steve Ashby of Keystone. So I'll  
21 give you an example. We may have some agreements with  
22 people about volume and pricing set over a period of time.  
23 Last year in August it got so bad that they said we can't  
24 buy from you unless you go back to spot pricing.

25           All a reflection of the low priced imports that

1 are coming in literally throughout the ideas about what we  
2 established earlier in the year, simply because of the high  
3 volumes of low priced imports coming in.

4 MR. KNIPE: Okay. Thank you.

5 MR. CANOSA: Marcelo Canosa, Gerdau. I just want  
6 to add to Mr. Ashby. We had the same situation last year.  
7 We had an agreement with a customer with an index base --  
8 again the base price was already low because it was set  
9 based on import price but throughout the year the imports  
10 because so aggressive that the customer decided to pull out  
11 of the agreement or we had to lower our base price even  
12 lower.

13 MR. KNIPE: Okay thank you and my last question.  
14 Do electric arc furnaces use more electricity than basic  
15 oxygen furnaces?

16 MR. NYSTROM: Yes.

17 MR. KNIPE: Substantially more?

18 MR. NYSTROM: Substantially more yeah.

19 MR. KNIPE: Okay if you could go into detail on  
20 that in the post-conference that would be helpful how much  
21 specifically?

22 MR. PRICE: Alan Price we will address it in the  
23 post-conference brief.

24 MR. KNIPE: Okay great, those are all of my  
25 questions, thank you.

1 MS. LO: I thank you all for being here. I just  
2 wanted to piggyback on Andrew's last question, that is, on  
3 the energy costs related, if you would please work on  
4 getting those costs, those other factory costs, break out  
5 the energy portion of it, if possible, if you're going to  
6 address this question as well.

7 And if anyone knows what's happening to  
8 ArcelorMittal's plant? The Georgetown, South Carolina,  
9 plant. We've heard a lot about it. It has not been sold,  
10 correct?

11 MR. ROSENTHAL: To the best of my knowledge, it  
12 has not been sold.

13 MS. LO: It's just sitting idle? And also with  
14 Republic's plant that went idle, 2016, same situation? Just  
15 idle?

16 MR. CANOSA: To the best of my knowledge, it  
17 hasn't been sold.

18 MS. LO: Thank you very much. That's all my  
19 questions.

20 MR. LA ROCCA: Everyone, thanks again for  
21 coming. I just have a quick request. When you submit your  
22 post-hearing briefs, could you please attach product  
23 descriptions and certification information? Especially with  
24 regards to 1080 series and above steel, and also with  
25 regards to steel tire and cord beads.

1                   MR. ANDERSON: Thank you. With that, my  
2 colleagues as in the early panel, or earlier panel, did a  
3 very ably -- asked a lot of questions, so I don't have any  
4 follow-up questions and I wanted to thank you on behalf of  
5 staff for your time, for being here, and for your responses  
6 to our questions. It's been extremely helpful. And with  
7 that, we'll move to the next phase. I think we'll take five  
8 minutes and let parties prepare for closing arguments. So  
9 in five minutes, let's start with that. Thank you.

10 (Whereupon a five minute break was taken.)

11                   MR. BISHOP: Will the room please come to order?  
12 Closing remarks on behalf of respondents will be given by  
13 Richard O. Cunningham of Steptoe & Johnson. Mr. Cunningham,  
14 you have ten minutes.

15                   CLOSING REMARKS OF RICHARD O. CUNNINGHAM

16                   MR. CUNNINGHAM: I was outside during the lunch  
17 break and someone from the audience came up to me, and I  
18 vaguely remembered him. He addressed me as Professor  
19 Cunningham and I sort of wondered what that was all about,  
20 but it gave me an idea. What I'd like to do in these  
21 closing remarks is give you sort of suggested homework  
22 assignments.

23                   First, one of the overall issues of this case:  
24 Are these imports causing a threatening material injury?  
25 You need to address price effects, you need to address

1 volume effects. I hope you will do your variance analysis.  
2 That's very important in this case because this is so  
3 clearly a price case. Their problems are so clearly on the  
4 price side, not on the volume side. Your variance analysis  
5 is going to show that clearly and that's really important  
6 for the Commission to know.

7 On price depression, look at the, what I call,  
8 the competition between the graphs, Mr. Nolan's graph and  
9 Mr. Rosenthal's graph on the relationship between the  
10 declines in scrap prices and the declines in the wire rod  
11 prices. It's Mr. Rosenthal's graph that's distorted, and  
12 let me tell you why. His is based on the dollar values,  
13 it's not indexed, it's a straight dollar cost, dollar price.

14 If you think about it for a second, comparing  
15 the dollar price of scrap with the dollar price of the  
16 finished product is illusory because it's half or less,  
17 somewhere around there, of the finished product cost.  
18 Therefore, in terms of its effect on the market place, in  
19 terms of what people who are looking at -- customers who are  
20 looking at what they're willing to pay, what they see as the  
21 appropriate price to be charged to them by a seller of wire  
22 rod, they're looking at the percentage changes.

23 They're looking at how much change is going on  
24 in the two things. And it is therefore more appropriate to  
25 look at Mr. Nolan's graph, and Mr. Nolan's graph also has a

1 much more important function for you, and that is, it shows  
2 how the changes are developing. Mr. Nolan's graph shows the  
3 price of scrap going down first, going down steeper on an  
4 index basis, wire rod price falling down after it. That's a  
5 real look at what's happening in the market place.

6 And to confirm that, look at the trade press.  
7 We'll do a lot of that. We'll get you a lot of that stuff.  
8 But over and over again, you'll see the trade press saying  
9 that the price of wire rod is being pulled down by the price  
10 of scrap.

11 I think you also want to look at intraindustry  
12 competition. And there's -- I would love to see you do a  
13 shift analysis among domestic competitors just as you do  
14 between domestic competitors and imports, that is, a U.S.  
15 purchaser saying I'm gonna shift from domestic to foreign  
16 supply.

17 If you look at the market share data, and if you  
18 look at the table in the petition that shows the domestic  
19 shipments of those four petitioners, you compare that with  
20 what you will now have as to the domestic shipments of the  
21 rest of the industry, you're gonna see some significant  
22 shift there. I think that is significant. I think it also  
23 bespeaks the likelihood of intraindustry price competition,  
24 because those shifts don't occur without intraindustry price  
25 competition.

1           On price suppression, clearly you're going to do  
2 your COGS ratio analysis. But take a hard look -- and it's  
3 going to be fine for the respondents as it is. But take a  
4 look -- it is going to show no significant, if any,  
5 deterioration in the COGS ratio. But take a hard look at  
6 certain industry costs. Look at Petition Exhibit I-11.  
7 We've talked here about other factory costs, we talked about  
8 labor costs.

9           If you see in one of those categories, which are  
10 not import-affected categories, if you see one of those, or  
11 both of them, having a disproportionate jump, that affects  
12 your COGS analysis and affects it in a way that will be  
13 illuminating to you as you determine whether the COGS  
14 analysis reflects import pricing, on effective imports on  
15 prices.

16           On market shares, the important point is whether  
17 during this period of investigation, the U.S. industry has  
18 seen a decline in its market share. Again, look at Mr.  
19 Rosenthal's chart of U.S. industry market share. There are  
20 two periods before the start of this POI and during the POI,  
21 radically different trends. It's during the POI that's  
22 relevant to you. Before the POI is a reflection of other  
23 forces, most notably China, not the effect of the subject  
24 imports.

25           And to the extent the U.S. industry market share

1       may have declined even a little bit during the POI, I was  
2       really grateful to Mr. Knipe and to Mr. Rosenthal--always  
3       grateful to Mr. Rosenthal--for pointing out one of the  
4       things that's clearly, and Mr. Rosenthal acknowledged, is  
5       clearly the explanation -- the explanation--for any decline,  
6       that there was even a small decline in U.S. industry market  
7       share, namely you had two plants close down.

8                 Now, petitioners are going to say, "Oh, yes, but  
9       those are closed down because of imports." Well, they're  
10      not. You're heard comprehensive story as to one of them  
11      demonstrating it's not. But it's irrelevant whether the  
12      imports closed down those plants or not for a market share  
13      analysis.

14                The whole idea of a market share is that the  
15      producers who are in the market today suffering because they  
16      have lost market share. The fact that others have gone out  
17      of the market doesn't affect that analysis. You will find  
18      there is no decline in market share for the U.S. industry as  
19      today constituted.

20                Finally, look at the volume changes in 2014 to  
21      2016, comparing the increase in subject imports with the  
22      decline in nonsubject imports. You can compare Rosenthal  
23      Graph 8 with Rosenthal Graph 25, but better look at the  
24      exact figures, which you'll have customs data, because you  
25      have gaps in the petition, and the questionnaire response

1 data is the best way to look at that. You will find the  
2 decline in nonsubject imports exceeds the decline in subject  
3 imports. This is not subject imports taking market share  
4 from the domestic industry. This is subject imports taking  
5 market share from nonsubject imports.

6 Now let me turn to the deathless issue of tire  
7 bead and tire cord. There are clearly substantial  
8 differences between this category and other wire rod. The  
9 question is, do they rise to the level of treatment as a  
10 separate like product or evidence of attenuated competition  
11 or maybe even a basis for a decumulation of one or more of  
12 the respondents.

13 To assess these questions, I suggest you need to  
14 do the following: First, fix on a coherent, technologically  
15 and economically logical definition. And we propose to you  
16 that that's our job and we're going to amplify that in our  
17 papers to you. But it's pretty clear that what we have in  
18 mind here and what we think is the clear demarcation is  
19 Grade 1080 and up tire cord and bead.

20 You heard people say here, they produce 1080.  
21 If you listen closely, it's 1080B. That's different.  
22 That's different. And it's not for tire cord. And it's  
23 only, if at all, a tiny little bit for tire bead. Apply the  
24 six-factor test to that definition when you and we and they  
25 have all argued it to the point where you've got it clear in

1 your mind.

2                   Some of those six factors are clear, I think,  
3 beyond dispute. Physical characteristics and uses are  
4 really clearly different. Customer or producer perceptions,  
5 really different. Interchangeability, clearly not  
6 interchangeable. And channels of distribution, the wire  
7 makers and the tire, to sell to the tire industry.

8                   We need to give you enough on the other two,  
9 price and common facilities, processes and employees. If  
10 you decide it's a separate like product, and this is the  
11 last thing I want to say to you, there are a number of  
12 potential significances. First, I think you're pretty much  
13 compelled to make a negative determination on that product  
14 due to little or no U.S. production. Secondly, it has an  
15 effect on the negligibility analysis because it will affect  
16 the volumes of imports subject to the non-tire cord, tire  
17 bead category. And therefore, it'll affect the percentages  
18 and it may change, above 3%, below 3%, all that sort of  
19 stuff.

20                   And finally, it has a possible effect on  
21 decumulation for certain countries, especially in threat.  
22 This case has issues. It's a case that the issues are  
23 pretty unevenly balanced. I think they're very strongly  
24 balanced in favor of the respondents. We hope we've made  
25 that clear to you today. We have a lot of confidence in the

1 staff to get to the bottom of those issues. Thank you.

2 MR. BISHOP: Rebuttal and closing remarks on  
3 behalf of Petitioner will be given by Paul C. Rosenthal of  
4 Kelley Drye & Warren. Mr. Rosenthal, you have ten minutes.

5 CLOSING REMARKS OF PAUL C. ROSENTHAL

6 MR. ROSENTHAL: It's a better day for me.  
7 I don't often get a chance to follow Professor Cunningham.  
8 I do have a couple of quotes I want to leave you with this  
9 afternoon, none from the good professor. One is from Craig  
10 Lewis of one of the counsel here today, who said this at the  
11 wire rod hearing involving Ukraine and other countries a  
12 couple years ago.

13 And he said, with respect to the first of those  
14 I'm quoting now, "The U.S. market very clearly, China's  
15 left, leaving, have not completely left the U.S. market. As  
16 the vulnerability factor--my projection--remember this is a  
17 Sunset case--it's an anti-vulnerability factor. That's a  
18 positive factor in terms of the foreseeable future for the  
19 U.S. industry. That's close to over 600,000 tons of imports  
20 that are gone, that are open for the U.S. industry to take,  
21 so that's a positive in terms of the future condition of the  
22 industry."

23 That's Mr. Lewis, a couple of years ago, talking  
24 about the great opportunity for the U.S. industry to regain  
25 shipments and market share as China left the market. You

1 know what happened? The U.S. industry did not take that  
2 back. It didn't take any of it back. The entire amount  
3 went to subject imports.

4 I'm going to not talk about like product, which  
5 Mr. Cunningham continues to confuse with other factors. And  
6 I'm not going to talk about negligibility. Those are going  
7 to be discussed in great length in our brief.

8 I do want to talk a little bit about cumulation  
9 because it's an important, and I think, slightly  
10 misunderstood topic by respondents today. The statute's  
11 very clear about cumulation. It's very clear about what the  
12 factors are that this Commission must consider in an  
13 original investigation. All of those factors have been met.

14 And there's a good reason why the Commission,  
15 the Courts, the Congress, even the World Trade Organization,  
16 has recognized the value and the necessity of cumulation.  
17 Everyone has recognized that the collective hammering effect  
18 of imports can be just as injurious as the import injury  
19 caused by a large single source.

20 I want to show you a couple of slides, but since  
21 it's late in the afternoon, maybe you'll be amused by these.  
22 Yogi Berra's famous for a lot of quotes, some of them he  
23 actually said. One of them attributed to him happened to be  
24 when he was at an Italian restaurant and the waitress asked  
25 him whether he would like his pizza pie sliced into four

1 pieces of eight. He said, "You better make it four, because  
2 I don't think I could eat eight."

3 Well, you know what? It turns out that Yogi  
4 really wasn't very good at math or accumulation, but you can  
5 have eight slices be the same amount of four slices, be the  
6 same amount as one large pie.

7 And you can see, when it comes to the import  
8 injury caused by China a few years ago, which was  
9 devastating, which as you heard from Mr. Lewis, 600,000 tons  
10 were consumed or taken up by China in this market. That was  
11 found to be injurious by the Commission just a couple of  
12 years ago.

13 And what's happened since then? All that  
14 Chinese supply has been taken up by subject imports. They  
15 don't have one big slice the way the Chinese did, they have  
16 a bunch of smaller slices, but it cumulatively, they add up  
17 to actually more than the Chinese share of the market when  
18 they were found to be injurious. Indeed, they have a larger  
19 share of subject imports than the Chinese did at the time  
20 the Commission found those volumes to be injurious.

21 So I would urge you to recognize that the docked  
22 accumulation is not only mandated by law, it compels a  
23 conclusion in this case that the volume impacts of the  
24 subject imports are injurious in this case. And I would  
25 like to say that the industry, as you've heard before, was

1 very, and continues to be, very appreciative of the  
2 Commission's efforts that's made on behalf of the wire rod  
3 industry in the China case.

4 We were hopeful then that facilities would not  
5 close, that workers' jobs would not be lost. That, in  
6 effect, the industry would be put in a position to invest  
7 and continue to resume thriving. But those hopes have been  
8 dashed, and it is all thanks to those subject imports.

9 Of course, it's not surprising that the  
10 respondents deny any role, even though Mr. Lewis thought  
11 that there were brighter days ahead for the domestic  
12 industry. He thought that 600,000 tons of exports would go  
13 to the domestic industry in whole or in part. Of course,  
14 that did not happen. But it's also important to understand,  
15 as Mr. Lewis recognized, that the injury to the domestic  
16 industry is suffering today, started before this current  
17 investigation.

18 It started with the Chinese investigation, and  
19 the Chinese injury that was caused, and continues this very  
20 day. The fact that the increase in import share or market  
21 share by the subject imports expanded upon the Chinese  
22 volume industry is remarkable.

23 And Professor Cunningham's recognition that  
24 there is an increase in subject import market share is a  
25 nice concession. He doesn't appreciate how that increase is

1 even more injurious because it started at such a large base.  
2 And he is correct that price is a crucial factor because  
3 this is not just a volume case.

4 It is a price case, too. You've heard the  
5 importance of price to the respondents. They've talked  
6 about how they have to be competitive with their products,  
7 and therefore, they're constantly searching for the lowest  
8 price inputs. And as reflected in all the information  
9 you've gotten in your questionnaire responses where the  
10 purchasers talk about the importance of price, how they  
11 switched to subject imports because of price.

12 It is reflected in the underselling that you see  
13 in the record. And by the way, it's not unusual to see a  
14 mixed pattern of underselling in a highly competitive market  
15 where price is predominant. You understand how important  
16 the price is to the domestic industry because they have to  
17 keep their mills filled here in order to maintain some  
18 semblance of profitability.

19 What I'm glad we haven't heard from the  
20 respondents today, is this notion that the domestic industry  
21 is doing well, or is healthy, or is not being injured. It  
22 is being injured. It has been in a consistent state of  
23 injury for the last several years, thanks to large volumes  
24 of low-priced imports, first from China and now the subject  
25 imports. The profitability is unsustainable.

1                   You've heard about the inability to invest in a  
2                   lot of projects that the industry wanted to invest in, and  
3                   you understand that pricing has to improve if these  
4                   investments are to be made. You heard the president of  
5                   Keystone say that salaried employees haven't gotten paid  
6                   recently. This is not a way to keep an industry in  
7                   business. This is not an industry with a future. There's  
8                   not 600,000 tons around the corner anytime soon.

9                   So unless there's relief in this case, unless  
10                  there's at first a preliminary injury determination by the  
11                  Commission, ultimately a final, this industry does not have  
12                  a long-term future. I hope that the Commission will do in  
13                  this case what it did in the China case, and make an  
14                  affirmative determination of injury and allow this industry  
15                  to have the bright future that Mr. Lewis hoped for, along  
16                  with me, just a couple years ago. Thank you.

17                  MR. ANDERSON: Thank you, Mr. Rosenthal and Mr.  
18                  Cunningham. So on behalf of the Commission and staff, I  
19                  would like to thank all our witnesses and our counsel today  
20                  for coming here and helping us gain a better understanding  
21                  of the product and conditions of competition in the carbon  
22                  and alloy steel wire rod industry.

23                  Before concluding, I want to mention a few key  
24                  dates in the investigation. The deadline for submission of  
25                  corrections to the transcript or submission of

1 post-conference briefs is this Thursday, April 21st. If  
2 briefs contain business proprietary information, a public  
3 version is due on Monday, April 24th. The Commission has  
4 tentatively scheduled its vote on these investigations for  
5 Thursday,  
6 May 11th.

7 And it will report its determinations to the  
8 Secretary of the Department of Commerce on Friday, May 12th.  
9 And Commissioner's opinions will be issued on Friday, May  
10 19th. And with that, again, I thank you all. I'm sorry.  
11 I'm going to correct myself. The submission of  
12 post-conference briefs is Friday, April 21st. And again,  
13 with that, I thank you all, and this conference is  
14 adjourned.

15 (Whereupon the meeting was adjourned at 3:00  
16 p.m.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Carbon and Certain Alloy Steel Wire Rod from Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, the United Arab Emirates, and the United Kingdom

INVESTIGATION NOS.: 701-TA-573-574 and 731-TA-1349-1358

HEARING DATE: 4-18-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 4-18-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Christopher Weiskircher  
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I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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