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International Trade Administration
Washington, D. C. 20230

A-201-831

Scope Inquiry

PUBLIC VERSION

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June 16, 2004

MEMORANDUM TO: Jeffrey May
Deputy Assistant Secretary, Group I

THROUGH: Susan Kuhbach
Director, Office I

FROM: Daniel O'Brien
Shane Subler
International Trade Compliance Analysts, Office 1

SUBJECT: Prestressed Concrete Steel Wire Strand from Mexico: Scope Inquiry Final Determination

FOR OFFICIAL FILE

I. Summary

On February 24, 2004, the Department of Commerce (the Department) initiated a scope inquiry of prestressed concrete steel wire strand (PC strand) from Mexico in response to requests from the petitioners¹ and Cablesa, S.A. de C.V. (Cablesa), a respondent in the original investigation. It was not clear from the plain language of the scope of the order published on January 28, 2004, nor from the product descriptions included in the original petition and the U.S. International Trade Commission's (ITC) preliminary and final determinations, what constituted galvanized PC strand, a product specifically excluded from the order. Subsequently, pursuant to 19 CFR 351.225(k), we requested and analyzed the following information with respect to subject PC strand, galvanized PC strand conforming to ASTM A-475 specifications, and the zinc-coated PC strand produced by Cablesa: the physical characteristics of the merchandise, expectations of the ultimate purchasers, ultimate use, channels of trade, and how the merchandise is advertised and displayed. Based upon our analysis, as described below, we recommend finding that the 0.05 oz./sq. ft. zinc-coated PC strand sold by Cablesa is included in the scope of the order because it does not differ in any material way from the grease and plastic coated PC strand also sold by Cablesa and does not meet any industry standard for galvanization.

II. Background

The scope of the order reads:

For purposes of this investigation, PC strand is steel strand produced from wire of non-

¹The petitioners in this investigation are American Spring Wire Corp., Insteel Wire Products Company, and Sumiden Wire Products Corp.

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stainless, non-galvanized steel, which is suitable for use in prestressed concrete (both pretensioned and post-tensioned) applications. The product definition encompasses covered and uncovered strand and all types, grades, and diameters of PC strand.

The merchandise under investigation is currently classifiable under subheadings 7312.10.3010 and 7312.10.3012 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

In order to clarify what constitutes galvanized PC strand, the Department issued Cablesa two questionnaires requesting the following information: the physical characteristics of the merchandise, expectations of the ultimate purchasers, ultimate use, channels of trade, and how the merchandise is advertised and displayed. The questionnaires were issued on March 3, 2004, and April 8, 2004; Cablesa filed timely responses to both questionnaires on March 18, 2004, and April 16, 2004, respectively. The petitioners and Cablesa submitted comments and rebuttal comments regarding both questionnaires.

III. Interested Party Comments

A. Physical Characteristics

Cablesa argues that the Department, in accordance with 19 CFR 351.225(k), need not conduct a “diversified factors” analysis because the scope descriptions in the original investigation are dispositive in that galvanized PC strand has been specifically excluded.² Cablesa further contends that there are no specific ASTM standards for galvanized PC strand: “meeting a particular ASTM standard is not a prerequisite to a product being deemed galvanized, or otherwise being covered by a particular antidumping order.” Cablesa states that “as petitioners themselves have admitted” in their February 6, 2004, scope request, “there is no separate or specific ASTM specification for wire strand that is both galvanized and pre-stressed.”³ Cablesa argues that, before the ITC, Cablesa’s counsel’s statement that all PC strand sold in the United States has to conform to an ASTM standard was in regards to non-galvanized PC strand.

Cablesa asserts that since its product is covered by 0.05 oz./sq. ft. of zinc, which it states is the minimum zinc coating to prevent corrosion, it is therefore “galvanized.” Cablesa argues that the ASTM A-475 standard does not apply to its zinc-coated PC strand product because that standard applies only to strands to be used as guy messengers, span wires, or similar purposes, which, Cablesa argues, its product is not. Cablesa avers that the scope of the order does not exclude PC strand that meets ASTM A-475 specifications, but PC strand of galvanized wire.⁴ Cablesa points to the fact that even ASTM A-475 specifies varying degrees of zinc coating for different

²See Cablesa’s April 6, 2004, submission at 2-4.

³See Cablesa’s May 3, 2004, submission at 3.

⁴See Cablesa’s March 18, 2004, submission at 1.

applications, and that its 0.05 oz./sq. ft. zinc coating serves specific applications in protecting against corrosion, including prestressing applications. To this effect, Cablesa provides an affidavit from Dr. Ned H. Burns, a registered professional engineer and Professor Emeritus at The University of Texas at Austin, attesting to the additional corrosion protection offered by Cablesa's zinc-coated product. Cablesa also states that there are various galvanized steel products that use a zinc coating of 0.05 oz./sq. ft.

Cablesa states that it has sold galvanized PC strand with 0.05 and 0.60 oz./sq. ft. zinc coatings since 1996. Although it concedes that its shipments of zinc-coated PC strand have increased since the preliminary determination, Cablesa argues that this increase is immaterial in a scope inquiry. Cablesa cites the capital investments it has made in order to coat PC strand with zinc and states that its "electro galvanizing lines are designed, and used, solely for the production of wire for galvanized PC strand."⁵

Cablesa argues that its prices for galvanized PC strand [] after the preliminary determination " []" Moreover, Cablesa argues that the petitioners' comparison of galvanized [] PC strand with [] PC strand "is a red herring" because "just as adding a layer of zinc costs money, so too does adding []"⁶

In rebuttal comments, the petitioners argue that the Department must conduct a diversified products analysis because the language from the scope, the petition and ITC proceedings is not dispositive, which, the petitioners contend, the Department has already determined in its initiation notice in this proceeding. Moreover, the petitioners assert that "even Cablesa must admit" that there is a minimum level of zinc coating that qualifies as "galvanized." The petitioners contend that Cablesa's counsel testified before the ITC that all PC strand "sold in the United States is manufactured to ASTM specifications' as well as additional specifications 'issued by the Post-Tensioning Institute.'"⁷ The petitioners do not concede that Cablesa's 0.05 oz./sq. ft. zinc-coated PC strand provides corrosion resistance. Even if Cablesa's product did provide corrosion resistance, the petitioners argue, such resistance would not qualify the product as "galvanized."

In addition, the petitioners argue that ASTM A-475 does provide "industry-recognized coating weights for galvanized products."⁸ The petitioners contend that Cablesa's argument that there are different levels of zinc coatings within ASTM A-475 "ignores that the minimum *overall* coating is 0.40 oz./sq. ft., about ten times the average coating Cablesa has applied."

⁵Id., 7.

⁶See Cablesa's April 6, 2004, submission at 9-10.

⁷See petitioners' April 23, 2004, submission at 2-3.

⁸See petitioners' April 6, 2004, submission at 2.

Moreover, the petitioners reject Cablesa's argument that its electrogalvanizing process has given it a competitive advantage allowing it to produce a superior product. Instead, the petitioners contend, Cablesa's electrogalvanizing equipment is intended for the production of wire rope and other products, and that Cablesa only began to use this equipment in the production of PC strand after the imposition of antidumping duties at the preliminary determination of the investigation.

The petitioners also argue that Cablesa's shipments of 0.05 oz/sq. ft. zinc-coated PC strand [] after the preliminary determination and note that Cablesa submitted two purchase orders with identical order numbers but different specifications for the weight of the zinc coating [].⁹ The petitioners contest Cablesa's statement that it has been selling galvanized PC strand since 1996 with widely varying degrees of zinc content by arguing that the two purchase orders that Cablesa provides in support of its statement do not show the [].

B. Expectations of the Ultimate User/Ultimate Use

Cablesa consistently states that its zinc-coated PC strand product is used in the same applications as subject PC strand, namely in prestressing concrete. Cablesa contends that its zinc coating is superior to the grease and plastic coating that is typically used to prevent corrosion because, it states, "the best way to protect a steel product from corrosion is to coat the product in zinc; that is, to galvanize it."¹⁰ Contrary to a statement in the ITC's final determination dated January 21, 2004, Cablesa argues that it is "entirely appropriate, and in fact, beneficial to use galvanized PC strand for prestressing concrete." Cablesa asserts that the statement in the ITC report that it is "inappropriate" to use galvanized PC strand in concrete "came solely from one of the petitioners, with no explanation or proof" and is therefore "not a conclusive finding by the ITC."¹¹ Cablesa also contends that the Post Tensioning Institute (PTI) specification cited by the petitioners does not establish a standard for galvanized PC strand and that a Wire Rope Corporation of America (WRCA) brochure submitted by the petitioners "confirms that their galvanized rope products are being used for largely different applications than Cablesa's galvanized PC strand."¹²

Comparing its zinc coating to the advent of airbags in automobiles, and the plastic and grease

⁹In response, Cablesa contends that, although it is not certain why two purchase orders have the same order number, it is likely that Cablesa's affiliate, Universal Products Group (UPG),

[] J. See Cablesa's April 6, 2004, submission at 11.

¹⁰See Cablesa's March 18, 2004, submission at 8.

¹¹Id., 13.

¹²See Cablesa's April 6, 2004, submission at 13-17. The petitioners submitted a copy of the "Specification for Seven Wire Steel Strand Barrier Cable Applications" published by the PTI in 1998, which, the petitioners argue, "sets forth the requirements for 'galvanized prestressed concrete strand' requiring that the 'zinc coating weight shall be Class A as designated in ASTM A-475.'" The petitioners also submitted information from the WRCA stating that its "galvanized strand products meet or exceed ASTM specifications A-475..." See petitioners' March 19, 2004, submission at 2-3.

coating to seatbelts, Cablesa touts its zinc-coated product as "superior"¹³ to the grease and plastic coating common in the industry. As such, Cablesa argues, its zinc-coated product with a plastic and grease coating provides better corrosion protection than PC strand with only a plastic and grease coating. Cablesa claims that its customers demand the 0.05 oz./sq. ft. zinc-coated product because it provides protection against corrosion and maintains a tensile strength of 270 Kpsi.¹⁴

Cablesa asserts that it has submitted independent evidence that its customers requested galvanized strand. The fact that its customers' purchase orders do not specify a level of zinc coating, Cablesa contends, is testament to Cablesa's argument that "the particular level of galvanization is not specified in any industry standard."¹⁵ Cablesa dismisses the petitioners' sampling of websites as showing that purchasers never discuss the use of light zinc-coated PC strand for corrosion protection purposes as having little bearing on the issues in this case. Instead, Cablesa argues that the record in this proceeding includes positive affirmations in the form of purchase orders and customer affidavits as to the usefulness of PC strand with a 0.05 oz./sq. ft. covering.

Cablesa states that it knows of no other companies that sell PC strand coated with 0.05 oz./sq. ft. of zinc principally because it considers its electrogalvanizing method unique in the industry for applying a zinc coating. This method, Cablesa asserts, is superior to the traditional hot-dip galvanizing normally employed for galvanization because it is less costly and does not reduce tensile strength. Consequently, Cablesa argues, its unique method for zinc coating enables its customers to "expect that their product will not corrode, that the price will be more reasonable as the level of zinc is not excessive, and that it will have a tensile strength of 270 Kpsi."¹⁶ Cablesa concludes that it is its "belief that galvanization will eventually become standard with PC strand, provided tensile strength is retained."¹⁷

The petitioners point to documents from steel companies showing that manufacturers supply steel galvanized products in accordance with ASTM A-475 and contest Cablesa's use of an AISI standard to show that there are steel products that utilize a zinc coating of 0.05 oz./sq. ft. or less as being "out-of-date" (from 1977) and only for individual wires with "an extremely thin diameter of 0.010 to 0.015 inches."¹⁸

The petitioners state that, to the best of their knowledge, when asking for galvanized PC strand products, customers "have invariably specified compliance with ASTM A-475 zinc coating

¹³See Cablesa's March 18, 2004, submission at 10.

¹⁴See Cablesa's March 18, 2004, submission at 6.

¹⁵See Cablesa's May 3, 2004, submission at 6.

¹⁶See Cablesa's March 18, 2004, submission at 12.

¹⁷Id., 11.

¹⁸See petitioners' April 6, 2004, submission at 3.

weights.” The petitioners further contend that galvanized PC strand has limited end uses and that Cablesa “has failed to cite a single independent source for its claim that galvanized strand is used in non-exposed, concrete reinforcement applications.” The petitioners aver that Cablesa’s customers use its zinc-coated PC strand for the same applications as bare or grease/plastic coated PC strand and ask whether Cablesa expects “people to believe that, in the structural engineering industry, there could be a requirement or use for galvanized strand that is not covered by some authoritative specification?”¹⁹

IV. Analysis

As noted above, Cablesa argues that the Department need not conduct a “diversified factors” analysis because, it contends, the scope descriptions in the original investigation are dispositive in that galvanized PC strand has been specifically excluded.²⁰ However, the Department launched this scope inquiry precisely because, as stated in the *Memorandum from Daniel O’Brien, International Trade Compliance Analyst, to Holly Kuga, Acting Deputy Assistant Secretary for Import Administration (February 24, 2004)* at 1, “it is not clear from the plain language of the scope of this order, nor from the product descriptions included in the original petition and the U.S. International Trade Commission’s preliminary and final determinations, what constitutes galvanized PC strand.” Therefore, in accordance with 19 CFR 351.225(k), we have analyzed this issue based on the “diversified products” criteria which follow.

A. Physical Characteristics

In order to determine what physical characteristics define galvanized PC strand, we have used the ASTM A-475 standard as a starting point, a standard that unquestionably classifies PC strand products as galvanized. Specifically, ASTM A-475 requires a minimum zinc coating level of 0.4 oz./sq. ft. for PC strand. The level of zinc content prescribed by ASTM A-475 to galvanized products is significantly higher than the level which Cablesa has applied to its zinc-coated PC strand with a 0.05 in./sq. ft. zinc coating. The fact that PTI and WRCA set forth requirements for galvanized PC strand in accordance with ASTM A-475 demonstrates that there is a demand for galvanized PC strand produced in accordance with ASTM A-475 in the PC strand industry. On the other hand, Cablesa has not provided any evidence of an industry consensus that confirms its contention that PC strand coated with a 0.05 oz./sq. ft. zinc coating is properly classified or accepted in the industry as “galvanized.” As such, Cablesa’s claim that its electrogalvanizing method is a unique industry innovation is irrelevant to our analysis because this method still produces a product that does not have the physical characteristics described in any industry standard for galvanization. We also note that Dr. Burn’s affidavit attesting to the corrosion protection offered by Cablesa’s zinc-covered product is not supported by any independently published industry standards.

¹⁹See petitioners’ April 23, 2004, submission at 9.

²⁰See Cablesa’s April 6, 2004, submission at 2-4.

Moreover, Cablesa has not provided any industry standards to support its claim that a zinc coating of 0.05 oz./sq. ft. is truly the minimum level suitable for corrosion protection, or that a zinc coating provides substantially better corrosion protection than a plastic and grease coating in prestressing concrete. Even if Cablesa's zinc-coated product provided a moderate increase in corrosion protection, this protection alone would not qualify it for exclusion from the antidumping duty order as a galvanized product. Instead, a plastic and grease coating provides similar corrosion protection and is a standard in the PC strand industry for the level of corrosion protection necessary in prestressed concrete applications. The primary purpose of galvanization is to protect steel which is exposed to the elements from corrosion and it does not appear that Cablesa's product rises to this level.

B. Expectations of the Ultimate User/Ultimate Use

PC strand galvanized per ASTM A-475 is used in exterior applications such as guys, messengers, span wires²¹ and barrier cable systems used in parking garages.²² Such galvanized PC strand has very different applications than subject PC strand, which is used primarily used in prestressing concrete. Cablesa has stated consistently that its zinc-coated product is also used in prestressing concrete; that is, its zinc-coated product is used for the same applications as subject PC strand. Cablesa does not demonstrate that its product can be used in exposed environments in cases where an uncoated product is inappropriate. Cablesa points to its product's ability to maintain a tensile strength of 270 Kpsi, but it does not present any information showing that customers can use this product in applications where an uncoated product of 270 Kpsi cannot be used.

Moreover, it is clear from the ITC final determination that the petitioners intended to exclude from the scope of the investigation galvanized PC strand that serves distinct applications from bare or plastic and grease coated PC strand. As stated in the ITC's final determination dated January 21, 2004, at page I-7: "conference testimony indicates...that it is not appropriate to use galvanized steel strand to prestress concrete." Cablesa's customers are using its product as a substitute for covered PC strand, and do not appear to have the unique expectations, in terms of corrosion resistance, of a truly galvanized product.

C. Channels of Trade

Cablesa sells all of its PC strand, whether zinc-coated or not, in the same channel of trade – through distributors. No evidence on the record suggests that PC strand galvanized to ASTM A-475 standards is sold through different channels of distribution, although the final customers have different uses for the product.

²¹See ASTM A-475 standard at 1.

²²See petitioners' March 19, 2004, submission at Attachment 1.

D. The manner in which the product is advertised or displayed

Cablesa does not advertise or display its PC strand product.²³ This segment of the analysis does not apply to Cablesa's 0.05 oz./sq. ft. zinc-coated PC strand.

Conclusion

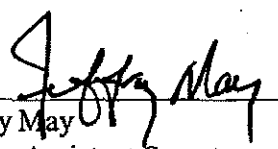
The physical properties and end uses of galvanized PC strand per ASTM A-475 are substantially different from subject PC strand. On the other hand, Cablesa's PC strand with a 0.05 oz./sq. ft. zinc coating has no physical properties or end uses that are substantially different from subject PC strand. Cablesa has not presented any recognized industry standard to support its claim that its 0.05 oz./sq. ft. zinc-coated PC strand is truly galvanized or any technical evidence that a zinc coating of 0.05 oz./sq. ft. provides better corrosion protection than a plastic and grease coating.

Recommendation

We recommend finding that Cablesa's 0.05 oz./sq. ft. zinc-coated PC strand is included within the scope of the original order on PC strand from Mexico dated January 28, 2004, and that PC strand is properly classified as "galvanized" only if it meets ASTM A-475 standards.

Agree

Disagree


 Jeffrey May
 Deputy Assistant Secretary
 for Import Administration, Group I

Date

June 16, 2004

²³See Cablesa's March 18, 2004, response at 17.