

**CARTON-CLOSING STAPLES FROM CHINA  
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**PUBLIC STAFF CONFERENCE BEFORE THE  
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**APRIL 20, 2017**

**STATEMENT OF ROSS TYNDALL  
MANAGEMENT CONSULTANT  
NORTH AMERICAN STEEL & WIRE, INC./ISM ENTERPRISES**

Good afternoon. My name is Ross Tyndall, and I am the Management Consultant at North American Steel & Wire, Inc./ISM Enterprises. I have been with the company since 2012, and I oversee all of the company's day-to-day operations, including sourcing, production, and sales.

ISM is an integrated production facility. We draw wire rod into wire, and we then anneal, pickle, and coat the wire. Most carton-closing staples are made from copper-coated wire, but some are made from zinc-galvanized wire if they are going to be used in applications that may be exposed to moisture, like produce packaging, for example. The wire is then fed into either a staple roll making machine or a stick staple making machine for the final phase of flattening the wire, adhering the flattened wires to one another with glue or tape, and stamping out and forming the final staple sticks or rolls. The manufacturing process is the same for both stick and rolls through the wire-making process, and it only differs in the final phase depending on which machine is used to form the staples.

Staples in both sticks and rolls are available in the same sizes. For example, a "C" staple in stick form is manufactured using wire that is 0.037" x 0.074", has a crown of 1 1/4 inches, and

is available in leg lengths of 5/8's and 3/4's of an inch. A standard RR1 roll has staples made from the same wire as a stick of "C" staples, has the same crown size, and is offered in the same leg lengths. The only difference between the stick and roll is which stapling tool it will be used in, but the final staples of the same size, once fastened to the box or carton, will be indistinguishable. Roll staples tend to be used in higher-volume applications, because they are available in longer lengths of 1,000 to 5,000 staples per roll, which requires fewer changeovers. Roll staples are also used in faster, pneumatic staplers. But there is overlap in use with stick staples, which can also be used in pneumatic staplers that take sticks.

Regardless of the form of staple or type of stapling tool, the final end use for stick and roll staples is the same: and that is to secure or fasten the flaps of cardboard boxes and cartons. Indeed, it is not unusual for an end user to use a bottomer tool to close the bottom of a box with stick staples, fill the box, and then use a pneumatic tool to secure the top flaps of the box with roll staples. Roll and stick staples can thus both be found being used by the same end users, for the same basic use, and on the same box.

Standard sizing and established stapling tool parameters make carton-closing staples from China highly interchangeable with our own staples. We make staples for stapling tools made by ISM as well as other companies' stapling tools. Producers in China do the same. They will often advertise their product as "similar to ISM" or otherwise to ensure customers are aware that their staples can be substituted for our product. In fact, when we take in some of our stapling tools for repair or maintenance, it is common for us to find the tool loaded with Chinese staples. This makes it very difficult for us to try to distinguish our product from Chinese staples to our customers.

The vast majority of our sales are to distributors, and more than 90 percent of these distributors also purchase carton-closing staples from China. All of our sales are on the spot market, which makes us highly sensitive to price undercutting when we are competing for sales to these distributors. We hear about lower prices for staples from China on an almost constant basis. As Mr. Farah testified, it is impossible for us to try to meet these prices, which are not only below our cost of production but sometimes even below the cost of the wire used to make the staples.

Because we cannot meet Chinese prices, we have lost significant sales volumes since the acquisition of ISM and continuing from 2014 to 2016. This has kept our production far below our potential capacity. This means we have expensive equipment sitting idle, and other equipment only turned on periodically. This has created serious inefficiencies in our production process. Turning our annealing furnace on and off, for example, takes at least 12 to 18 hours of production time. Ideally it should run for as long as possible once it has reached the right temperature for production, but we simply do not have the volume to make the most efficient use of this important equipment. This is just one example of the extra costs we bear because of the sales volumes we have lost to Chinese imports.

The inability to achieve sustainable sales and production volumes also reduces our ability from time to time to serve low-volume orders of certain staples that we do not already have in inventory. When such staples are not already held in inventory at a certain time, it is difficult to justify the cost of adjusting our machinery to produce that particular staple for such a low-volume order. If we could achieve higher and more consistent orders for these staples, there would be no barrier to our ability to produce and supply them.

We have also had to lay off workers and reduce hours and shifts for those workers who are left. As a result, many of our workers are underutilized. Much of our equipment is from the 1970s, but we have not been able to make the needed upgrades and capital investments because of the losses we have been forced to incur. And while we look at every opportunity to improve our products or expand our product range, meaningful research and development expenditures are impossible in our current financial state.

I joined ISM because I believed in Mr. Farah's vision for the company. Over the past five years I have come to know more about the staple business than I ever thought I would, to appreciate the history of ISM and the workers who have many years with the company, and to admire the ingenuity of the staple manufacturing process. Unfortunately, all of that is now at risk because of imports from China. The large and rising volume of dumped, low-priced imports has made it impossible to compete. The only way to keep this company, and this domestic industry, in operation is to impose an antidumping order that restores conditions of fair competition to the U.S. market.

Thank you.