
CARTON-CLOSING STAPLES FROM CHINA

Petitioner's Presentation

U.S. International Trade Commission

Public Final Hearing

March 13, 2018

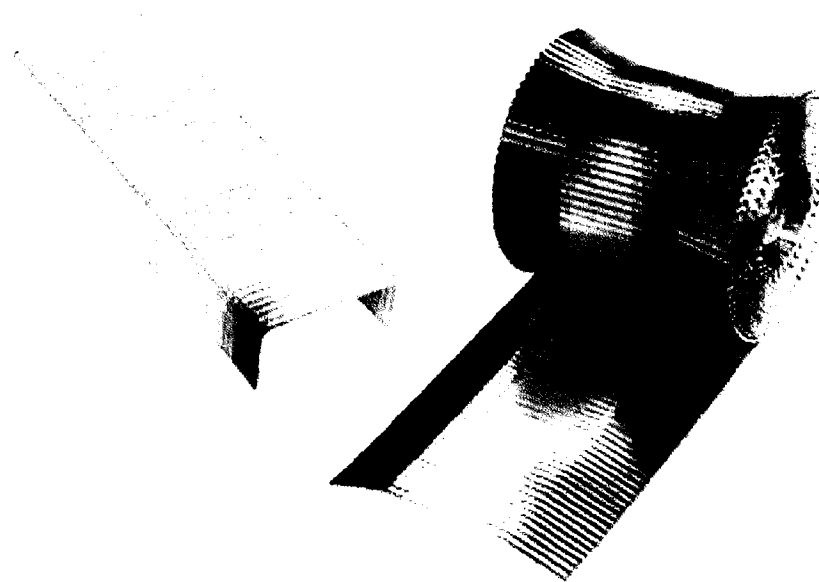
Overview

- I. Domestic Like Product
- II. Conditions of Competition
- III. Volume of Subject Imports
- IV. Adverse Price Effects
- V. Material Injury
- VI. Threat of Material Injury

I. Domestic Like Product

- There is one domestic like product, co-extensive with the scope: carton-closing staples.

No objection has been raised to this definition of domestic like product.



I. Domestic Like Product

- *Physical Characteristics & Uses:* All CCS made from same materials and used to close paperboard corrugated boxes and cartons. *PSR* at I-9.
- *Manufacturing Facilities & Processes:* All CCS in U.S. made in same facilities using overlapping employees. *USITC Pub 4694* at 9.
Process for stick and roll staples is identical, except for which staple forming machine is used. *PSR* at I-12.
- *Channels of Distribution:* All CCS sold mostly to distributors. *PSR* at II-2.

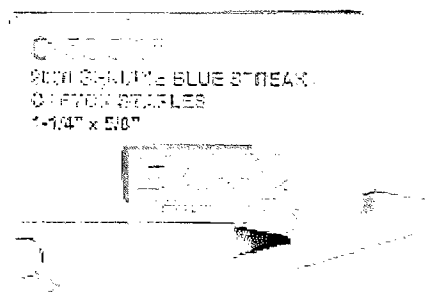
I. Domestic Like Product

- *Interchangeability*: While limited by the tools they are designed to be used in, stick and roll staples are available in the same sizes and are used interchangeably to close the same types of boxes. *USITC Pub 4694 at 12 and PSR at II-1.*
- *Producer & Customer Perceptions*: Roll and stick staples available from the same distributors, used for same end use. *USITC Pub 4694 at 12.*
- *Price*: Overlap between stick and roll prices. *USITC Pub 4694 at 12.*

II. Conditions of Competition

- Chinese and U.S.-produced CCS are highly interchangeable. *PSR* at II-11.
- Standard sizes and stapling tool specifications make staples of the same size fully interchangeable regardless of source. *PSR* at II-1.
- Different staple manufacturers advertise their products as suitable for use in competitors' stapling tools. *PSR* at II-1.

C-type Carton Staples



Stapling Machine "C" series Staplers.

Salco C Type Staples - (1-1/4 inch crown) - Standard carton-closing staples in the packaging industry.

C-type staples fit staplers: Salco BH/BA 32; JK561/ 561PN; B561/561PN; F561/561PN; Salco "Mini"; Carton Closing Corp. "Red-line"; Container Corp. "King Size"; Duo-Fast DF-FC6C, DF-PC6C, DF-HC7C, DF-AC8C; Acme DWS; ISM "C" series, all International

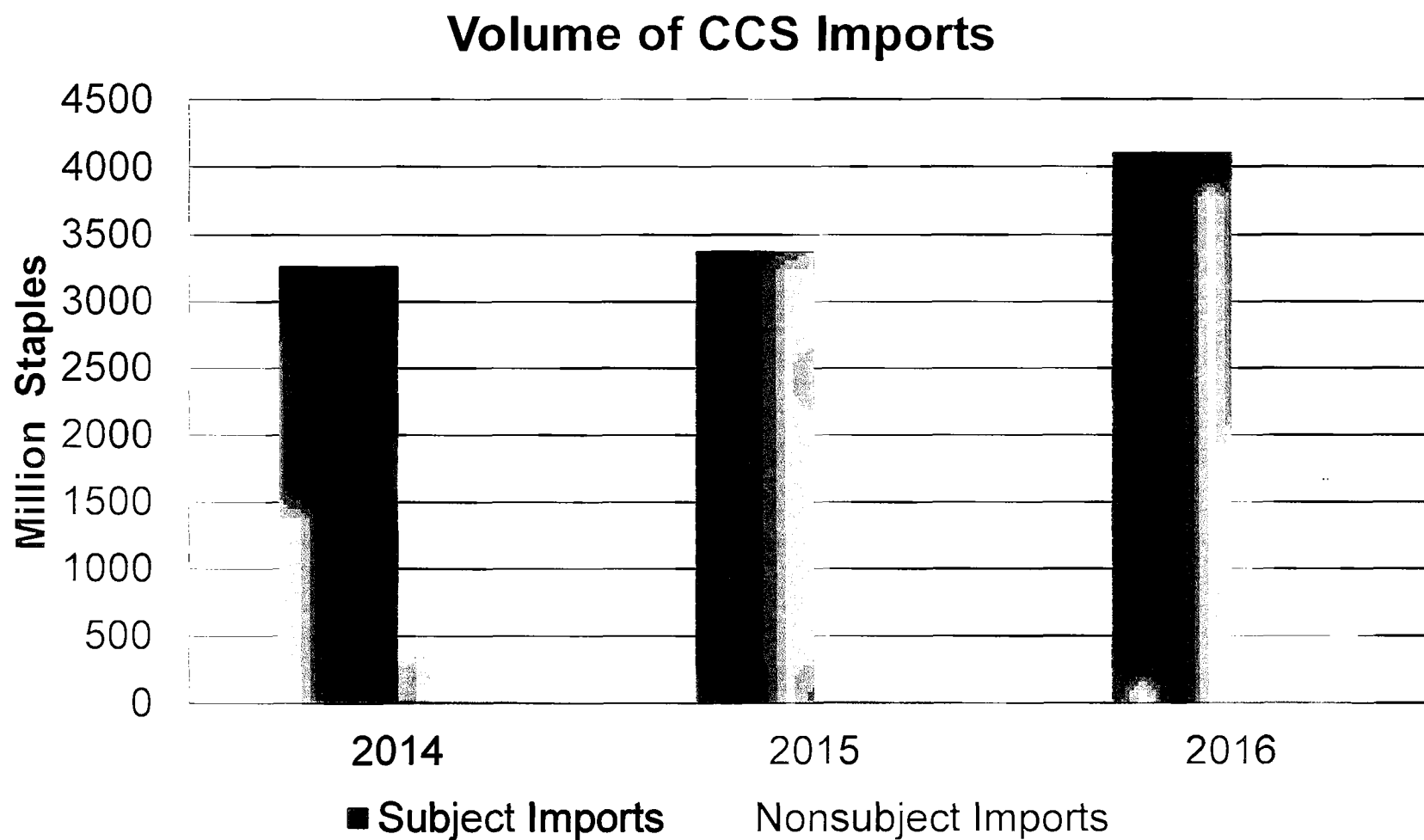
II. Conditions of Competition

- All 11 responding purchasers reported that U.S. and Chinese staples are always or frequently interchangeable, with 8 reporting they are always interchangeable. *PSR* at Table II-9.
- 18 of 19 responding importers reported that U.S. and Chinese staples are always or frequently interchangeable, with 14 reporting they are always interchangeable. *PSR* at Table II-9.
- Majority of purchasers reported that U.S. staples are superior or comparable to Chinese staples in the seven most important purchasing factors, with the exception of one: price. *PSR* at Table II-8.
- 14 of 18 purchasers reported that price is a very important factor in their purchasing decisions. *PSR* at Table II-6.
- Most sales are to distributors and all sales are on the spot market, making competition very price-sensitive. *PSR* at II-1 and V-4.

III. Volume of Subject Imports

- The volume of subject imports from China is significant in both absolute terms and relative to production and consumption. *USITC Pub 4694* at 17.
- Subject imports increased from 3.3 billion staples in 2014 to 4.1 billion in 2016, a nearly 26% increase. *PSR* at C-1.
- Imports from China accounted for 91.5% of all imported CCS in 2016. *PSR* at Table IV-2.
- 26% increase in subject imports occurred at a time when domestic consumption increased only slightly. *USITC Pub 4694* at 14.
- U.S. producers' share of apparent consumption declined. *PSR* at IV-14. Chinese imports seized market share at the direct expense of the domestic industry. *USITC Pub 4694* at 17.

III. Volume of Subject Imports



IV. Adverse Price Effects

- There has been significant underselling by subject imports. *PSR* at V-15.
- Chinese staples undersold the domestic product in all 60 price comparisons at margins as high as 53.1 percent. *PSR* at V-15.
- Prices for 3 of 4 Chinese pricing products declined over the POI. *PSR* at V-15.
- Import AUVs from China fell 11.3% from 2014 to 2016. *PSR* at C-1.
- We have submitted extensive lost sales and lost revenue allegations. *PSR* at V-16. Prices in the U.S. are so low that ISM has been forced to endure significant losses despite some declines in raw material costs. *PSR* at V-1 and VI-9.

V. Material Injury

For every factor examined by the Commission, ISM's data show declines or a loss.

ISM Operations 2015-2017	
Market Share	Down
Capacity Utilization	Down
Production	Down
U.S. Shipments Value	Down
U.S. Shipments Qty.	Down
Production Workers	Down
Hours Worked	Down
Wages	Down
Operating Income	Loss

V. Material Injury

- As imports from China have risen, ISM has been forced to compete with unfair pricing, resulting in lost sales volume and market share. *USITC Pub 4694 at 20 and PSR at IV-14.*
- Due to declines in sales volume, ISM had been forced to lay off workers and reduce hours and wages. *USITC Pub 4694 at 20.*
- ISM is currently operating far below its capacity, resulting in fixed costs that are unsustainably high compared to sales revenues. *USITC Pub 4694 at 19-20.*

V. Material Injury

- The company has been unable to make needed capital expenditures or invest in R&D. *USITC Pub 4694* at 19-20.
- ISM has suffered sustained and significant losses over the POI.
- Any improvement in ISM's financial indicators over the POI was a result of cost cutting measures. *USITC Pub 4694* at 20.
- The company cannot become financially viable unless it can greatly increase production volumes in order to cover fixed and variable costs and generate a reasonable return.

VI. Threat of Material Injury

- The domestic industry is highly vulnerable, and it is at risk of closure if it cannot increase its sales volume.
- Chinese producers have demonstrated their ability to gain volume and market share through aggressive price undercutting. *USITC Pub 4694* at 17 and *PSR* at V-15.
- Chinese producers are highly export-oriented. Public info indicates that numerous Chinese producers export between 60 and 100 percent of production. *Petition* at I-27 and Exhibit I-18.

VI. Threat of Material Injury

- The Chinese industry's capacity increased by 24.2% from 2014-2016. *PSR* at VII-7.
- The U.S. is the top market for Chinese CCS. Exports to the U.S. increased by 28.8% from 2015-2016 and were 11.2% higher in interim 2017. *PSR* at VII-7.
- ISM is the last remaining firm in the domestic industry and will not be able to survive in an environment of unrestrained, dumped Chinese staples.