CARTON-CLOSING STAPLES FROM CHINA
INV. NO. 731-TA-1359 (FINAL)

PUBLIC HEARING BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION

MARCH 13, 2018

STATEMENT OF MAROUNE FARAH
OWNER
NORTH AMERICAN STEEL & WIRE, INC./ISM ENTERPRISES

Good morning. My name is Maroune Farah, and I am one of the owners of North American Steel & Wire, Inc./ISM Enterprises. I am very happy to be here today. While Chinese imports of carton-closing staples have nearly driven out all domestic competition, the effects of the preliminary duties give me hope that we can have a viable industry here in the United States.

This case is vital to the survival of our company. If we cannot get relief from dumped imports of carton-closing staples from China, if we continue to lose sales to Chinese competitors, and if we continue to bear the significant losses we have seen in recent years, it will no longer be tenable for us to stay in business.

I purchased the company in 2010, after North American Wire had filed for bankruptcy and with ISM close to declaring bankruptcy. The two facilities – which had once been part of the same ISM company – were located across the street from each other in Butler, Pennsylvania. One had equipment to draw and coat wire, and the other to produce staples from that wire. The only other bidders for the wire company were banks that had no interest in reviving production and only planned to sell off the assets.

But I saw an opportunity. I researched the staple industry and the history of the company. The company had been able to achieve significantly higher sales volumes in prior years, multiples of what they were currently selling shortly before the time of acquisition, and all on existing equipment. I planned to put the plants back into operation, restart wire and staple production, and grow the business to fill out the existing capacity. I believed that an integrated facility producing value-added products under a well-known brand name could thrive under the right management and help support good manufacturing jobs in America. With my own funds and some assistance from family members, we bought the wire plant and everything in it sight unseen. I bought the staple company soon afterwards. We consolidated the wire and staple production equipment under one roof, and we started production in 2010.

Unfortunately, rising volumes of low-priced staples from China have made it impossible to reach the production volumes we need to be viable as a business. Even with our assets acquired out of bankruptcy, our fixed costs are just too high to continue trying to cover with our current low production volumes. We have simply had too much capacity we could not fill because we could not increase our sales and production.

The reason we have not been able to achieve what we envisioned for our company is unfair competition from imports of carton-closing staples from China. The staff report shows that volume of imports from China is significantly greater than our own volume, and has been rising absolutely and relative to our volume. As imports from China have increased, we have lost sales and market share.

Imports from China have been able to gain at our expense by deeply undercutting our prices. The staff report shows that Chinese staples undersold domestic product in every pricing comparison at margins as high as 53 percent. Anecdotally, we have heard in some cases of staples from China being offered at prices that are lower than what it would cost us to buy the copper wire to make our own staples. This aggressive price competition is simply unsustainable. When your primary competitor is dumping product at high margins and quoting prices for finished product that are lower than the cost of the primary raw material, there is simply no way to survive.

Because we cannot lower our prices to match Chinese prices without driving the company into the ground, we have been forced instead to sacrifice significant sales volumes. We have submitted a large number of lost sales and lost revenue allegations as a sample of the volume we have lost. When our customers see Chinese staples available for so much less, they do not hesitate to shift suppliers. Not only do we lose sales, but we have no chance to grow the business effectively by having to compete with these dumped staples in the market.

To deal with this loss in sales volume, we have had to lay off workers, forego needed capital expenditures, and put off research and development efforts. We have trimmed expenses everywhere we can. Nonetheless, these cost-cutting measures have not been enough, as we experienced financial losses over the period of investigation due to import competition. We continued to pour money into the companies year after year to fund the losses caused by Chinese imports.

However, the outlook for ISM has changed due to this antidumping investigation. Since preliminary duties were imposed in early November, our production volumes have increased and we have received interest from several large and small purchasers who have not bought from us in years. They have inquired about our product range and ability to ramp up to fill large orders. In February, we shipped our first order in years to a certain large customer, and we are in negotiations to fill additional orders for them. It is my impression that they and other U.S.

customers are waiting for a final affirmative determination from the Commission before they switch sourcing from Chinese imports to domestic product. Many purchasers have relationships with Chinese exporters and do not want to switch to U.S. staples until an antidumping duty order is certain. In addition, many customers bought large quantities of Chinese staples before the preliminary duties were imposed, so once those inventories start running out, and assuming a final antidumping order is in place, I expect to see a significant uptick in orders.

ISM has enormous production capacity and the ability to ramp up production in a relatively short time period. To accommodate the large purchase orders that we anticipate if duties are imposed, we will have to acquire raw materials, add production shifts, and possibly convert machines to new SKUs. This ramp up can all be done within a matter of weeks for smaller orders and 90 days for larger orders, which may require significant raw materials.

If we are able to obtain relief from dumped imports of carton-closing staples from China, I have great hopes for the company. We could substantially increase our production volume on our existing equipment, and we would be able to operate much more efficiently. We could make significantly higher volumes with existing workers who are underutilized, and hire more workers if production volumes increased enough. This would allow us to meet my original goal when we bought the companies– to make productive use of quality assets and create good jobs for American workers. Increased sales and production would allow us to cover our fixed costs, earn a profit, grow the business and our employee base, and become viable for the long-term. The interest we have received from customers since preliminary duties were imposed confirms that my vision of a successful, sustainable company in this industry is possible. Thanks to this investigation, there is hope and energy in our factory that I have not seen in years.

If we are not able to get relief, I am afraid it will be the last straw for ISM. There is simply no way for us to continue pouring funds into a company that is barely holding on against the tide of dumped imports from China. In the years that we have owned this company, we have not been able to secure any bank loans or government grants or assistance because of the losses which stem directly from a lack of sales due to unfair competition from Chinese staples. Instead, we used our own monies and borrowed from private parties because we believed we could get the company profitable. However, for as long as we have fought and our workers have tried, it is a hopeless fight when your main competition operates in an environment that is not a free market. Over the years we have spent millions of dollars in the United States and Pennsylvania on salaries, taxes, services, utilities, raw materials, and other expenses. These monies would not have been spent, and the people and community would not have benefitted, had we not purchased the company and had the vision and belief that U.S. manufacturing and the American worker could compete with China. The business would all have ended up in China and those monies would have been lost to Chinese competitors that use unfair dumping and price undercutting to seize market share.

As the Commission is aware, ISM is the only producer of carton-closing staples left in the United States. Other companies have closed their doors or changed their product focus. This investigation is our last hope. An affirmative determination is critical not only to our company's survival, but to the continued existence of the domestic industry. Our experience since preliminary measures were imposed proves to me that an affirmative final determination by the Commission will make the difference between ISM's survival and closing our doors for good.

I look forward to any questions you may have. Thank you.