



CARTON-CLOSING STAPLES FROM CHINA

Petitioner's Presentation

U.S. International Trade Commission

Public Preliminary Staff Conference

April 20, 2017

Overview

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

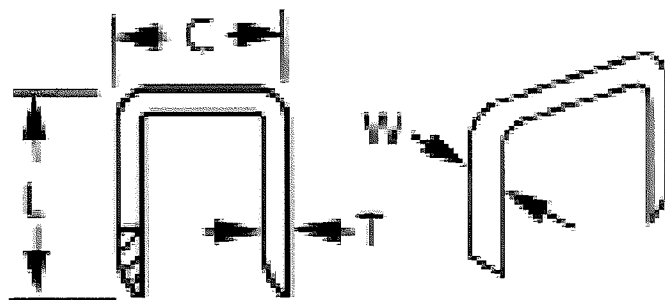
I. Scope

The scope of the investigation has been revised

- Removed reference to use
- Added reference to ASTM standard
- Removed 10% tolerance provision
- Revised dimensions
- Removed duplicative language

I. Scope

Carton-closing staples vary by the size of the wire, the width of the crown, and the length of the leg.



Nominal leg length (L): 0.4095 inch to 1.375 inches

Nominal crown width (C): 1.125 inches to 1.375 inches

Nominal wire thickness (T): 0.029 inch to 0.064 inch

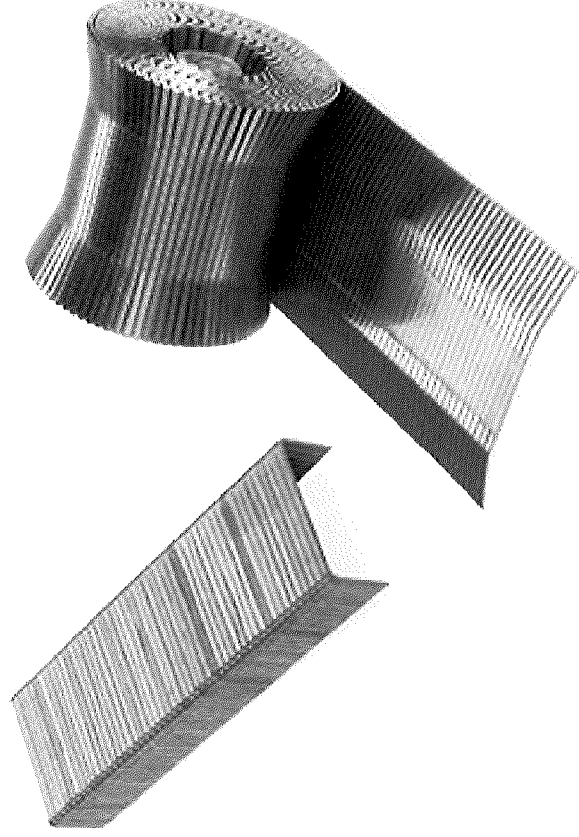
Nominal wire width (W): 0.064 inch to 0.100 inch

II. Domestic Like Product

- There is one domestic like product, co-extensive with the scope: carton-closing staples
- Staples in stick and roll form:
 - Have the same physical characteristics and uses
 - Can be used interchangeably to close the same types of cartons, though different stapling tools are used for sticks and rolls
 - Are in the same channels of distribution
 - Are manufactured in the same facility
 - Are viewed as similar by producers and consumers
 - Are available in a range of prices

II. Domestic Like Product

Dimension	"A" stick / GR1 roll	"C" stick / RR1 roll
Crown width	1 3/8"	1 1/4"
Leg lengths	5/8", 3/4", 7/8"	5/8", 3/4"
Wire thickness	0.037"	0.037"
Wire width	0.092"	0.074"



II. Domestic Like Product

- Other types of staples should not be included in the domestic like product
 - Other staples are covered by a separate ASTM standard for fastening, not closing
 - Most other staples are made of round wire; carton-closing staples are made of flat wire to stay flush with the closed box
 - Certain wood staples are made of flat wire, but it is much thicker to ensure the staple stays straight when fastened to wood; carton-closing staples are made of thinner (i.e., flatter) wire to allow the legs to fold under the carton flap
 - Other types of flat staples (e.g., desk staples) are smaller and narrower than carton-closing staples based on their lighter application

III. Conditions of Competition

- Standard sizes and stapling tool specifications make staples of the same size fully interchangeable regardless of source
- Different staple manufacturers advertise their products as suitable for use in competitors' stapling tools

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

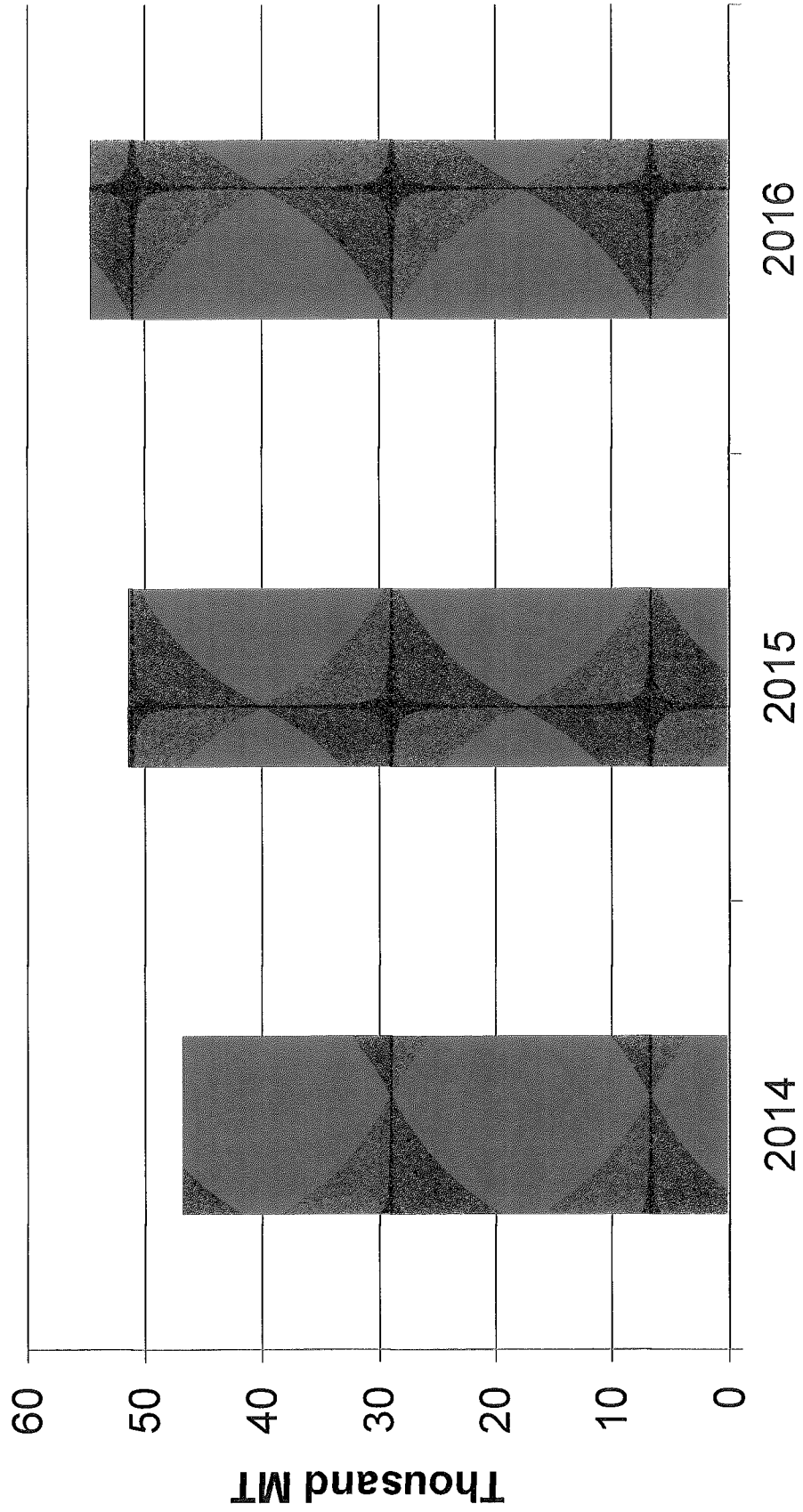
- Most sales are to distributors who also carry Chinese staples
- All sales are on the spot market, making competition very price-sensitive

IV. Volume of Subject Imports

- Carton-closing staples enter under two 10-digit HTS categories that also include other products
 - 8305.20.00.00 covers staples in strips, including carton-closing staples and other staples
 - 7317.00.65.60 covers “nails, tacks, drawing pins, corrugated nails, staples (other than those of heading 8305) and similar articles, of iron or steel, whether or not with heads of other material, but excluding such articles with heads of copper: Other: Of one piece construction: Other {than made of round wire}: Other {than cut}.”
- Petitioner has also estimated subject imports based on Automated Manifest System data for known producers of carton-closing staples in China, filtered for shipments other than staples
- Both sources show a rising volume of imports from China, both absolutely and relative to domestic shipments, which have declined significantly

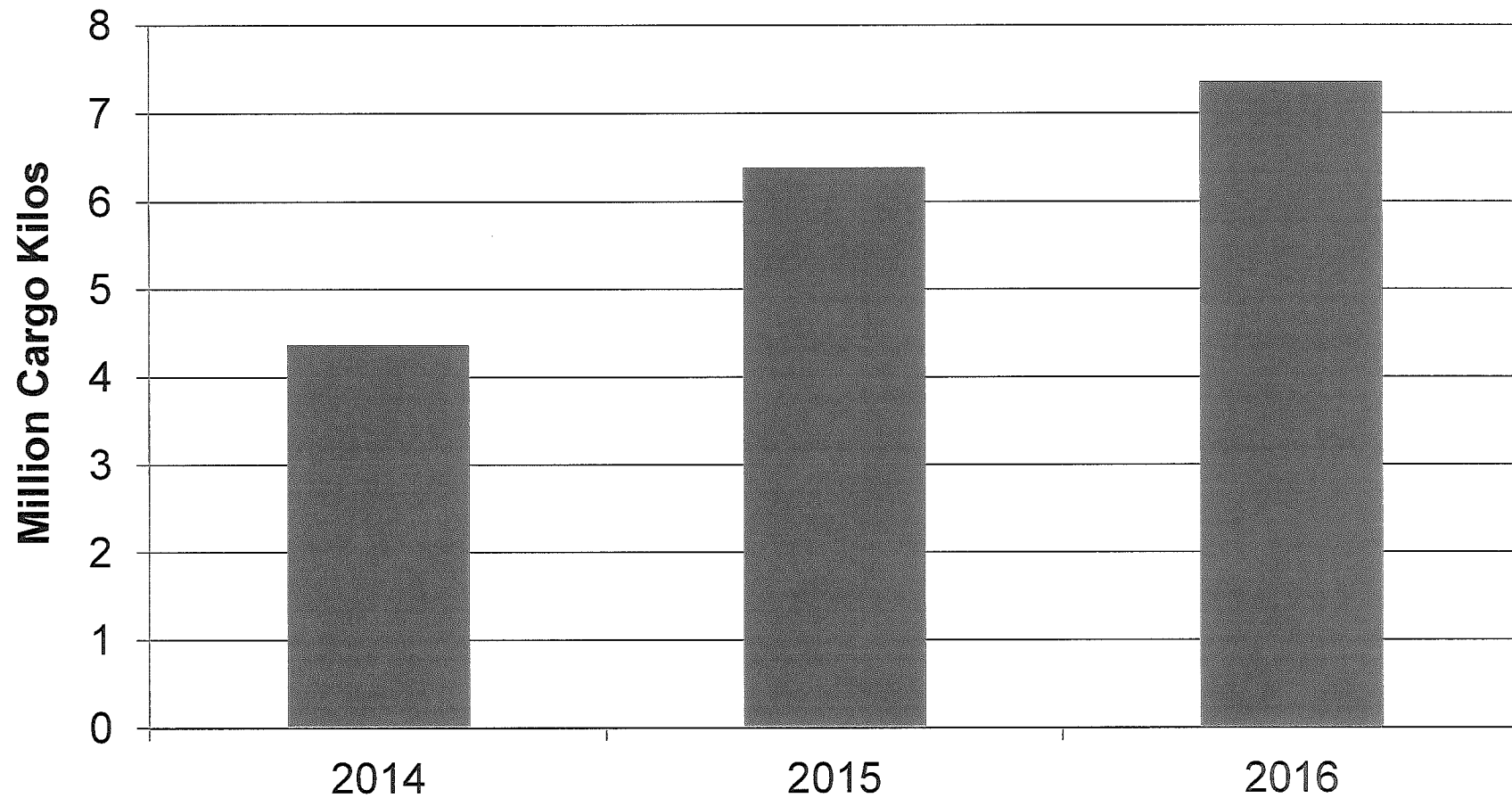
IV. Volume of Subject Imports

Official Import Statistics for Covered HTS



IV. Volume of Subject Imports

AMS Data for Known Chinese Producers



V. Adverse Price Effects

There has been significant underselling by subject imports

Type	Model	Underselling
Roll	GR1 5/8"	43.8%
Roll	RR1 5/8"	44.4%
Stick	A 7/8"	84.2%
Stick	C 5/8"	73.2%
Stick	C 5/8"	73.0%

Import AUVs from China fell 13.2% from 2014 to 2016

Prices in the U.S. are so low that ISM has been forced to endure significant losses despite some declines in raw material costs

VI. Material Injury

- As imports from China have risen, ISM has lost sales volume and market share
- ISM cannot meet Chinese prices that are below its cost of production, and has lost significant sales volume as a result
- ISM has been forced to lay off workers and reduce hours and wages paid
- ISM is operating far below its capacity, resulting in fixed costs that are unsustainably high compared to sales revenues

VI. Material Injury

- ISM has suffered sustained and significant losses over the POI
- The company has been unable to make needed capital expenditures, invest in R&D, or access bank loans
- 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
- The owners have invested significant amounts of their own resources to try to support U.S. jobs in the industry, and ISM is the only known domestic producer left in the United States

VII. 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
- Publicly available information indicates China's producers are highly export-oriented
- China's exports to the U.S. in the two staple categories rose 20.2% by quantity from 2014 to 2016, while exports to the rest of the world fell by 1.7%, confirming the attractiveness of the U.S. market
- The high substitutability of carton-closing staples and importance of price in the market make further material injury highly likely