

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

**PUBLIC STAFF CONFERENCE BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

MARCH 13, 2018

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

Good morning. 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 a vertically integrated production facility. We draw wire rod into wire, and then anneal, pickle, and coat the wire with copper or zinc. The wire is then formed into either stick or roll staples. The wire is fed into either a staple roll making machine or a stick staple making machine for the final phase of flattening the wire and forming the final stick or roll staples. 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. These machines are most efficient when operating in large batch quantities, as it takes time to change which staple the machine produces. If operating efficiently, I have no doubt that ISM has the capacity to serve all the demand currently served by Chinese imports.

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 the majority of Chinese staples are sold to distributors as well. 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. During the period of investigation, we heard 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 unrestrained prices from China, 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 have continued to lose sales volume since 2014. 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.

Due to our inability to achieve sustainable sales, we have been unable to fund larger production runs. As a result, from time to time we are unable to serve customers using

inventory, which is how most sales are made. When the specific staple requested by a customer is not held in inventory, unless the order is significant, it is difficult to justify the cost of adjusting our machinery to produce the staple requested. 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.

Since 2014, we have had to lay off workers and reduce hours and shifts for those workers who remained. This left many of our workers underutilized. The company has struggled to compete with dumped Chinese staples for years.

However, I am very encouraged by our experience since preliminary duties on carton-closing staples from China were imposed. In response to the preliminary determination last November, purchasers have started coming out of the woodwork. We have received inquiries from large and small customers regarding our capacity, prices, and product ranges. In December we received a significant stick staple order from a certain large customer for the first time in years, and if final duties are imposed, we expect to do significantly more business with that customer and many others. Business from this single customer has the potential to double our sales. However, most purchasers are in a holding pattern now. While they are calling to confirm prices and enquire about ISM's ability to supply large volumes, they are also waiting to see what the Commission will do in this investigation.

ISM has the production capacity to fill all potential orders from these customers. As I said, we have the capacity to serve all U.S. customers that are currently serviced by Chinese imports. While we have operated at very low capacity utilization levels throughout the period of the investigation and frequently had machines sitting idle and workers underutilized, over the past couple of months we have increased production and are confident we can do more. Using

our current equipment and employees, we believe that we could triple our current production and with additional shifts, easily quadruple our production.

In fact, due to an increased production schedule since December, we have added a worker dedicated to roll staples and are looking to hire two to three more employees. If we receive additional business from one of the large U.S. customers, we will immediately add shifts to roll staple production, and will add shifts for stick staples shortly.

For too long, we have put off capital investments as we could not justify the expense due to persistent losses from unfair import competition. But relief from dumped Chinese imports will allow ISM to invest in projects to improve our factory and equipment. For example, a few years ago we invested in waste water treatment equipment. Unfortunately, due to unfair Chinese imports, with the project nearly 90 percent complete we had to postpone our final investment into that project. We therefore never reaped the full benefit of that investment and part of the labor intensive work to treat the waste water continues to be done by hand by a single employee in a treatment facility built in the '70s. This process accounts for approximately 2.5 workdays per week. With a relatively small investment, we could finish this project, which would eliminate this work and the associated charges and result in greater productivity. With additional investment, we will also be able to upgrade the electronics on our machines, which will significantly increase our efficiency. With additional sales and production volumes, we can finally afford to make minor investments that will greatly improve our efficiency and capacity.

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. 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, I look forward to any questions you might have.