

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
COMMODITY MATCHBOOKS) Investigation Nos.:
FROM INDIA) 701-TA-459 and
) 731-TA-1155 (Preliminary)

Pages: 1 through 98

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Monday,
November 17, 2008

Courtroom B
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

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APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping and
Countervailing Duties:

On behalf of D.D. Bean & Sons Co.:

MARK C. BEAN, Owner/Director and President, Match
Division, D.D. Bean & Sons Co.

CHRISTOPHER V. BEAN, Owner/Director and Corporate
Counsel, D.D. Bean & Sons Co.

JULIA M. BARTLETT, Vice President Fulfillment
Management, D.D. Bean & Sons Co.

PAUL G. GASTON, Esquire
Law Offices of Paul G. Gaston
Washington, D.C.

In Opposition to the Imposition of Antidumping and
Countervailing Duties:

On behalf of the Government of India:

SIBI GEORGE, Counselor (Commerce), Indian Embassy

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1 Are there any questions?

2 (No response.)

3 MR. CARPENTER: If not, welcome, Mr. Gaston.
4 Please come forward for your opening statement.

5 MR. GASTON: Thank you. My name is Paul
6 Gaston representing --

7 MR. CARPENTER: Excuse me. Press the button
8 to turn on the microphone. There you go.

9 MR. GASTON: Can you hear me now? Okay.
10 Good morning. I am Paul Gaston representing
11 Petitioner, D.D. Bean & Sons Co.

12 It is my pleasure to have with me today
13 Chris Bean, a director and owner of D.D. Bean and its
14 corporate counsel; Mark Bean, also a director and
15 owner of D.D. Bean and President of its Match
16 Division; and Julia Bartlett, Vice President of
17 Fulfillment Management. Each of them will have a
18 short presentation as part of our witness testimony.

19 D.D. Bean is the sole significant remaining
20 U.S. producer of commodity matchbooks. It has
21 survived many changes and challenges in the
22 marketplace and overcome many competitive pressures
23 and many competitors because it is an efficient,
24 resourceful manufacturer.

25 However, it may not be able to survive the

1 pressure it faces from subsidized and dumped imports
2 from India that have been priced for sale in the
3 United States at barely above the cost of materials.

4 Since 2005 when commodity matchbooks from
5 India began to be imported into the U.S. in
6 significant quantities, the domestic industry has lost
7 sales, lost revenues, lost employment and seen its
8 operating profits diminish and evaporate.

9 As the imported product from India began to
10 take market share away from the U.S. industry, D.D.
11 Bean fought back aggressively by lowering its own
12 pricing and by fighting to recover lost sales. Bean
13 thereby succeeded in at least temporarily stemming the
14 growth of imports and the loss of U.S. market share.
15 However, this has come at a severe cost.

16 The pricing of commodity matchbooks has been
17 so depressed by the unfairly subsidized and dumped
18 imports from India that Bean cannot sustain its fight
19 alone. As the saying goes, you can't make up losses
20 with volume.

21 The domestic industry definition set out in
22 Bean's petition fairly and accurately represents the
23 realities of the marketplace and the criteria set out
24 by law to enable the Commission to determine the
25 domestic industry producing the like product.

1 Commodity matchbooks are not interchangeable
2 with and do not compete with wooden matches in boxes
3 or kitchen matches. Similarly, they do not compete
4 with and are not interchangeable with promotional or
5 not-for-resale matchbooks which move in entirely
6 different channels of trade, have different uses and
7 customer perceptions and are made in different ways on
8 different production machines and facilities.

9 As you hear the testimony today, you will
10 hear the story of a family-owned business of great
11 historical significance that has always been a leading
12 employer and important corporate citizen of its home
13 town of Jaffrey, New Hampshire. You will hear how it
14 has responded to and overcome all challenges since
15 before World War II.

16 You will also hear how it and the domestic
17 industry it has always been an important part of has
18 been materially injured by unfairly subsidized and
19 unfairly priced imports from India.

20 Thank you.

21 MR. CARPENTER: Thank you, Mr. Gaston.

22 Mr. George, please proceed.

23 MR. GEORGE: Hello. Can you hear me? Good
24 morning. My name is Sibi George. I am Counsel of
25 Commerce at the Indian Embassy, and I represent the

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1 Government of India in this particular case.

2 According to the Government of India, this
3 petition filed is based on an artificial definition of
4 the U.S. industry of commodity matchbooks. This
5 excludes wooden matches, stick matches, box matches,
6 kitchen matches and even some matchbooks like what we
7 call the promotional matchbooks.

8 The first part of this petition -- almost
9 half of the pages, 50 percent of the pages -- is
10 dedicated to arguing on the definition of the product.
11 To show how matchbooks, commodity matchbooks, are
12 different from promotional matchbooks, the Petitioner
13 has come up with unscientific arguments that
14 promotional matchbooks may never be used as a portable
15 ignition device.

16 This is like saying that, for example, the
17 toothbrush which is given in the hotels and motels
18 where we stay has never been used for brushing the
19 teeth. One thing that promotional matchbooks are
20 never used for? Cigarette lighting.

21 I would like to quote from the site of the
22 company where it says that with 20 lights in every
23 matchbook and 20 direct advertising exposures to match
24 users, as well as eight direct exposures to other
25 people, matchbook advertising reaches a broad audience

1 of millions of consumers every day.

2 So the purpose of promotional matchbooks is
3 also ignition, and that is not what is said in this
4 book, so this is a very narrow definition artificially
5 created to pursue this case.

6 The only difference between a promotional
7 and other matchbooks is on the content on the outer
8 covering of the book. Some may give the logo of the
9 company. Some may give a website. Some may give a
10 telephone number. That is not a way to define a
11 product.

12 Page 7 of the petition says that the covers
13 of commodity matchbooks may be plain white or printed.
14 It could be printed, so how is it different from other
15 printed matchbooks, including promotional matchbooks?

16 I would like to bring to your attention the
17 Court order for the Ohio Court which I was just going
18 through and I found that. The Appellate Court had
19 ruled that the historical advertising function of the
20 matchbooks does not make them outside the common
21 understanding of the term of merchandise since the
22 consumer sees their primary function as a source of
23 fire.

24 So to say that promotional matchbooks are
25 not treated for the purpose of this petition or case

1 as a matchbook is not something I find justifiable.
2 This is like defining a product based on the printing
3 on its tag. It may have a different printing, a
4 different color, which doesn't make a different
5 commodity, so this narrow definition is wrong and
6 needs to be rejected.

7 What is printed on the cover of a matchbook
8 cannot be legitimately made a distinguishing feature
9 for a proper product definition in a case of
10 antidumping or countervailing. Since the product
11 definition is defective, so is the domestic product
12 like definition also. This might be excluding other
13 companies in the market.

14 Thank you.

15 MR. CARPENTER: Thank you, Mr. George.

16 At this point I would invite the domestic
17 industry panel to please come forward with their
18 presentation.

19 Mr. George, please feel free to make
20 yourself comfortable at a table in the front row back
21 there. Thank you.

22 (Pause.)

23 MR. C. BEAN: My name is Christopher Bean,
24 and I'm going to give a short report beginning with a
25 general introduction, a brief overview of our industry

1 and the company background and transition to the
2 present.

3 General introduction. My name is
4 Christopher Bean, and I am one of the owners and
5 directors of D.D. Bean & Sons Co., and I am also
6 corporate counsel.

7 I would like to start out by expressing our
8 sincere appreciation for the support and guidance of
9 the staff at both the International Trade Commission
10 and the International Trade Administration of the
11 Department of Commerce as we struggled with the
12 complex and nearly overwhelming task of preparing our
13 antidumping and countervailing duty petition.

14 We are a small business representing a small
15 industry, and we could not possibly afford special
16 counsel. We knew we had to prepare the petition on
17 our own. The staff of both the ITC and the DOC were
18 professional, courteous, efficient, assessable and
19 dedicated, and we could never have gotten this far
20 without their help.

21 Now that the petition has been filed, we
22 have retained special counsel, Attorney Paul Gaston,
23 who has been a friend and advisor of our company for
24 over a decade.

25 My family's business, D.D. Bean & Sons Co.,

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1 is certainly not a large business, and, as I
2 mentioned, the industry on behalf of which we are
3 seeking this trade relief, the domestic commodity
4 matchbook industry, doesn't come close to registering
5 as a significant factor in the American economy and
6 may not even seem large enough to matter much at all.

7 Moreover, it matters a great deal to us,
8 and, I might add, to our employees, and we are
9 encouraged by the belief that the trade laws of our
10 government offer remedies for unfair and predatory
11 foreign trade practices.

12 A brief overview of the industry history.
13 The matchbook industry has an important history.
14 Paper matchbooks were first introduced in 1892 when a
15 Philadelphia patent attorney by the name of Joshua
16 Pusey was granted a patent for what he called flexible
17 matches.

18 The patent was purchased by the Diamond
19 Match Company, the leading producer of wooden matches
20 in the U.S. A young salesman working for Diamond at
21 that time, Henry Trout, realized that matchbook covers
22 were an ideal medium for targeting advertising.

23 Because the production methods for
24 matchbooks had improved to the point where the costs
25 of production were low, Trout realized that businesses

1 could purchase them for use as giveaway advertisement.

2 Trout then convinced a New York tobacconist
3 to give away advertising matchbooks with every
4 purchase of tobacco product by retail customers. The
5 tobacconist found that his sales soared, and the
6 advertisers were delighted at gaining wider
7 distribution. Free matchbooks were an immediate
8 success.

9 Paper matchbooks quickly became one of the
10 most popular advertising mediums in the United States.
11 The United States Government also came to view
12 matchbooks as an ideal form of communication, using
13 them both for wartime and peacetime public service
14 announcements and in particular for messages urging
15 support for World War II efforts.

16 Matchbooks were bought by the United States
17 military forces in World War II and airdropped behind
18 enemy lines, and in 1944 the Air Force scattered four
19 million matchbooks across the Philippines emblazoned
20 with General Douglas MacArthur's famous words: I
21 shall return.

22 Also, by the 1940s free matchbooks were
23 firmly tied to cigarette purchases. Indeed, during
24 World War II the Office of Price Administration
25 promulgated a regulation requiring distribution of a

1 free matchbook with the sale of every pack of
2 cigarettes, a custom that is still widespread today.

3 The matchbook industry in the U.S. continued
4 to grow, peaking in the 1970s when there was some 13
5 companies with 18 different manufacturing locations
6 producing more than 30 billion matchbooks annually.
7 Some of these companies were household names: Diamond
8 Match, the Ohio Blue Tip Match, Lion Match and
9 Universal Match.

10 The phrase Close Cover Before Striking,
11 which if any of you have ever looked at matchbooks, at
12 the bottom of the cover when you open it up it says
13 Close Cover Before Striking, was purported to be the
14 most printed phrase in the history of the printed
15 word.

16 The ensuing decades, however, brought
17 changes. This would be from the 1970s. The advent of
18 the disposal butane lighters as a directly competitive
19 product, a ban on cigarette brand names advertising
20 matchbooks and negative social and legislative
21 pressures limiting smoking in public places. Despite
22 this formidable challenges, a company emerged as the
23 industry survivor.

24 Company background and transition to the
25 present. D.D. Bean & Sons Co. is a vital company that

1 has survived considerable adversity to become not just
2 the industry survivor but also the largest producer of
3 matchbooks in the world. Founded 72 years ago in 1938
4 by my grandfather, Delcie D. Bean, and my father and
5 my uncle, the company is still run by third generation
6 members of the Bean family.

7 My brother, Mark, who is here today, and
8 another brother, Delcie D. Bean, III -- and Delcie D.
9 Bean was my father, Delcie D. Bean was my grandfather
10 and Delcie D. Bean is my other brother. Delcie begins
11 with a D, and that's how we got D.D. Bean. Those are
12 the three generations.

13 We are still a leading employer in the town
14 of Jaffrey, New Hampshire. We are still employing
15 several generations of local workers, and we are still
16 operating at the same early nineteenth century textile
17 mill that my grandfather bought in 1938. He bought
18 that mill using money borrowed from a program offered
19 by the federal government to help businesses during
20 the depression.

21 One of our company's greatest strengths is
22 that almost all our machinery and manufacturing
23 processes have been developed in-house and improved
24 many times over, making our factory the largest of its
25 kind in the world.

1 The early history of our company's success
2 was a process first of gaining market share through
3 competition with all of the larger match companies.
4 D.D. Bean grew because, unlike all the other
5 companies, our business plan was to specialize in
6 commodity matchbooks.

7 We also had much lower overhead than our
8 bigger competitors, and as a result we kept focused on
9 being the most efficient and lowest cost producer.
10 This specialization in commodity matchbook production
11 sparked us to develop many innovations for more
12 automated and higher output equipment.

13 Wait a minute now. As an example, we
14 developed the ability to offer high quality space
15 advertising for brand name, large companies, including
16 tobacco companies.

17 We are very proud of our history from a
18 humble beginning, to an upstart company founded on a
19 shoestring during the depression which took on the
20 giants of a well-established industry, to our
21 successful competition against those companies and our
22 ability to overcome the many challenges and
23 adversities since then, all leading to our current
24 status as a surviving company in this industry.

25 I think our history has particular relevance

1 in this case because hopefully it underscores the fact
2 that we did not decide to undertake this action to
3 seek trade protection from the government because we
4 were unable to compete on a level playing field.

5 On the contrary, we have a long tradition
6 and a proven record earned over 70 years of being the
7 low-cost producer in the industry and a fiercely
8 effective competitor. Even though our operations are
9 diminished from earlier decades, we remained healthy
10 and profitable until we came under attack from
11 unfairly priced and government subsidized matchbooks
12 from India.

13 Mark?

14 MR. M. BEAN: Okay. Thank you. Am I on
15 here? Yes.

16 My name is Mark Bean, and, as my brother,
17 Chris, said, I am one of the family owners and
18 director of D.D. Bean & Sons Co. I am also the
19 President of the Match Division of the company.

20 I would like to start out my testimony by
21 reviewing the main features that make up our
22 definition of the domestic like product and the U.S.
23 industry. Then I am going to shift countries and
24 point out some of the facts that we know about the
25 Indian match industry and give some of the details

1 concerning their assault on the U.S. market. Then
2 I'll highlight the injury these imported commodity
3 matchbooks have caused to our business.

4 Our team member, Julia Bartlett, will speak
5 more specifically about the details of our injury.
6 Julia is the Vice President of Fulfillment Management
7 for the company. She played a leading role in the
8 preparation of our petition and in preparing the
9 financial data for the questionnaire. Julia also
10 happens to be one of our many second generation
11 employees.

12 After Julia finishes her testimony, I'll
13 give a brief conclusion.

14 The domestic like product is correctly
15 identified as commodity matchbooks. We have heard the
16 Government of India has expressed reservations
17 concerning our petition. Apparently the Indian
18 Government is criticizing how we have defined the
19 domestic industry.

20 The Government of India seems to be
21 suggesting that U.S. producers of matches of any kind,
22 including wooden kitchen matches and other boxed
23 matches, should be included within the definition of
24 the U.S. industry. They also seem to have a fallback
25 position that even if the domestic industry is

1 confined to matchbooks and not matches of any kind,
2 the definition should include promotional matchbooks
3 and not just commodity matchbooks.

4 The first problem with this claim is that it
5 is not substantiated by any supporting discussion
6 concerning the Commission's criteria, physical
7 characteristics and uses, channels of distribution,
8 interchangeability, customer and producer perceptions,
9 common manufacturing facilities, production processes
10 and price, all of which we have addressed extensively
11 in our petition and to which we've provided
12 considerable supporting documentation.

13 If they had done so, it seems certain they
14 themselves would have realized that commodity
15 matchbooks are clearly a different product from all
16 other types of matches, including promotional
17 matchbooks, and they clearly constitute a single
18 domestic like product.

19 Just like the subject imports, domestic
20 commodity matchbooks are invariably sold in books that
21 contain 20 match stems because they are intended for
22 use as portable ignition devices primarily to light
23 cigarettes.

24 Consumers who use matchbooks to light
25 cigarettes consider a matchbook with 20 match stems as

1 handy, thin and convenient to carry in a pocket or
2 purse, and 20 match stems corresponds directly to the
3 number of cigarettes in a pack.

4 Moreover, also just like the subject
5 imports, domestic commodity matchbooks are for resale
6 because they always enter retail channels, meaning
7 businesses that sell a general variety of commodity
8 type merchandise such as convenience stores,
9 supermarkets, dollar stores, drug stores and mass
10 merchandisers, or they may be resold or given away
11 typically with a purchase of cigarettes.

12 Promotional or not-for-resale matchbooks are
13 a very different product sold to very different
14 customers and used for very different purposes than
15 the domestic like product. Promotional matchbooks
16 most often contain more than 20 and sometimes contain
17 less than 20 match stems per matchbook.

18 The end users or recipient of a promotional
19 matchbook may or may not be a smoker and may never use
20 it as a portable ignition device, instead storing it
21 away for future reference of a telephone number or
22 address, keeping it as a souvenir, or adding it to a
23 matchcover collection.

24 To emphasize that last point, I would like
25 to mention that matchbook cover collecting happens to

1 be one of the most popular collecting hobbies in the
2 country. For the record, in case you didn't know, a
3 matchbook collector is known as a philluminist, a
4 lover of light.

5 There are organized collecting clubs located
6 all across the country, and there is a national
7 organization, the Rathkamp Matchcover Society, which
8 has been holding an annual convention for the past 67
9 years.

10 In other words, the primary value of a
11 promotional matchbook is as a promotional product, and
12 their function as an ignition device is secondary.
13 Moreover, promotional matchbooks never enter into
14 retail trade and are not intended for resale.

15 They have no real channels of distribution
16 other than by direct sale to the companies who use
17 them exclusively for promotional purposes, typically
18 bars, restaurants, resorts, hotels, clubs, cafes,
19 coffee shops, grilles, pubs, eateries, lounges and
20 casinos.

21 For the manufacturers, whether foreign or
22 domestic, the business model for the commodity
23 matchbook is to become highly efficient at producing
24 large quantities of standardized product by the
25 truckload or containerload and to ship and invoice

1 large quantity orders to a relatively small universe
2 of very large distributors, wholesalers and grocery
3 store chains.

4 Producers of promotional matchbooks, on the
5 other hand, have built their businesses on being able
6 to offer as many customizations as possible in the
7 smallest possible quantities.

8 This is an entirely different business model
9 that requires producers of promotional matchbooks to
10 be highly efficient at order processing, prepress and
11 print production, coordination of multiple component
12 variables and shipping and invoicing very small
13 quantity orders to a large universe of mostly very
14 small customers. For these reasons, promotional
15 matchbooks are sold for much higher prices than
16 commodity matchbooks.

17 Wooden stick matches in boxes in whatever
18 form are a completely different product than commodity
19 matchbooks. Not only do they have different gross
20 physical characteristics and uses; they are more
21 expensive to make and buy, and whether produced by
22 foreign or domestic companies they do not share common
23 manufacturing facilities, their primary raw material
24 for the match flint is wood, not paper, and the
25 production process is entirely different from

1 commodity matchbooks.

2 We believe that the thorough review that was
3 given to all these relevant criteria in our petition
4 makes it clear that we have accurately defined the
5 domestic like product and accordingly the U.S.
6 industry.

7 We also believe that if the Government of
8 India had made a survey of their own domestic industry
9 they would have discovered that these factors are also
10 clear to the Indian match producers. There are a
11 multitude of companies in India that manufacture
12 wooden matches -- literally dozens, maybe even
13 hundreds -- but only three that make any claim to
14 manufacturing matchbooks of any kind and only two that
15 have exported commodity matchbooks to the U.S.

16 If all matches share such commonalities that
17 they rightfully comprise the industry, why isn't there
18 more overlap of the different match products among the
19 manufacturers? There is no confusion among the
20 producers, whether in the U.S. or in India, that these
21 are entirely different products that require different
22 inputs, different manufacturing process, different
23 equipment and different areas of proficiency.

24 The Government of India seems to be arguing
25 two points to claim that there is no real distinction

1 between commodity and promotional matchbooks. The
2 first point is that promotional matchbooks may
3 occasionally be used for ignition purposes. This
4 point, although true, is irrelevant to their primary
5 purpose, which is to serve a promotional function for
6 the business or establishment which gives them away.

7 The second point in their argument is that
8 commodity matchbooks are sometimes used for
9 promotional purposes. This point confuses the
10 advertising function that some commodity matchbooks
11 occasionally perform with a highly specific and
12 targeted promotional function of a promotional
13 matchbook.

14 A chain store or supermarket chain that
15 sells matchbooks at retail may well want its name on
16 those commodity matchbooks, but that advertising is
17 incidental to the primary purpose for which such
18 matchbooks are resold by the chain: To serve as
19 ignition source.

20 The Government of India has also referenced
21 our website where we talk about the advertising
22 benefits of commodity matchbooks. We have never
23 claimed that commodity matchbooks do not sometimes
24 carry advertising. As Chris pointed out when he
25 discussed the history of the industry, matchbooks were

1 one of the most popular advertising mediums in the
2 United States throughout most of the twentieth
3 century.

4 Space advertising on commodity matchbooks,
5 although once much more common, is still part of the
6 industry. Unlike promotional matchbooks produced in
7 relatively small quantities to be directly given away
8 by hotels, restaurants, bars and so forth, commodity
9 matchbooks can contain advertising for products and
10 services of all types, and the company purchasing the
11 advertising never even takes possession of the
12 matchbooks themselves.

13 They can be produced by the millions, even
14 hundreds of millions of matchbooks per order and are
15 distributed nationally to thousands of convenience
16 stores and other retail outlets where they are most
17 often given away with the purchase of cigarettes to be
18 used by smokers to light the 20 cigarettes in the
19 pack.

20 It is exactly this kind of exposure, through
21 their utilitarian function as an ignition device, that
22 has made commodity matchbooks such a unique and highly
23 effective advertising medium. Commodity matchbooks
24 are clearly a different product than all other types
25 of matches, including promotional matchbooks, and they

1 clearly constitute a single domestic like product.

2 Indian match producers are determined to
3 control the global supply of matches. So what do we
4 know about the Indian match industry? One thing we
5 know for sure is the fact that an Indian match
6 producer targeting the U.S. commodity matchbook
7 industry is not an anomaly.

8 Matches are one of India's most protected
9 and heavily subsidized industries. In the past two
10 decades, Indian match producers have leveraged this
11 governmental support into becoming the dominant factor
12 in the global supply of matches.

13 The production of matches in India is
14 identified as a major industry cluster in the region
15 of Sivakasi where most of the leading manufacturers
16 are located. The Indian match industry employs tens
17 of thousands of workers and is controlled by an
18 interconnected group of family businesses known as the
19 match kings of India.

20 These so-called match kings have benefitted
21 from the policies of the Indian Government designed to
22 encourage both high employment in the domestic sector,
23 as well as the expansion of exports to build markets
24 overseas.

25 India has enacted varying rates of

1 manufacturing taxes, depending on the means of
2 production. Lower tax rates support the handmade
3 products in the so-called cottage sectors which supply
4 the domestic market, while incentives are offered to
5 more mechanized producers to become export only
6 suppliers to international markets.

7 As export-only facilities, these firms enjoy
8 many advantages which are specifically designed to
9 encourage selling at less than fair value pricing to
10 capture international markets and then recovering
11 offsetting benefits from the government.

12 The match kings have set their sights on the
13 U.S. market. Indian match exporters' principal
14 strategy is to expand into all potential match markets
15 around the world, selling at government subsidized and
16 less than fair value prices as necessary, forcing
17 local producers out of business and then enjoying the
18 benefits of monopoly.

19 The pattern in our case is completely
20 consistent with this strategy. The primary exporter
21 of the subject product is a company called Trevani
22 Safety Matches. Although Trevani is located in
23 Mumbai, as opposed to Sivakasi where the industry
24 cluster is located, they are an export-only unit and
25 clearly are tied into the subsidy programs available

1 to them.

2 Since there is no domestic market in India
3 for commodity matchbooks, Trevani was apparently
4 incited to get into this business in the first place
5 by the programs designed to encourage the development
6 of production exclusively dedicated to export.

7 Access to favorable financing terms and
8 relief from certain taxes and duties enabled them to
9 purchase automated equipment from a Japanese machinery
10 supplier and to buy raw materials, including stem
11 stock paper, imported from the United States.

12 Trevani's first assault on this market began
13 in 2003 but really gained momentum in 2004 with a
14 tenfold increase in volume that year. The commodity
15 matchbooks being exported by Trevani at that time were
16 exclusively plain white and were primarily targeted at
17 a handful of wholesale distributors in the northeast
18 who are large enough to purchase full containerloads
19 and then resell to either smaller wholesalers or
20 directly to retail accounts, usually in the
21 convenience store trade.

22 Trevani's pricing by design was well below
23 the established market price and they rapidly gained
24 market share, rising to almost 20 percent of the
25 entire domestic market in just two years.

1 The domestic producers can successfully
2 compete against fairly traded imports. This is not
3 the first time foreign produced matchbooks were
4 introduced into the market. Commodity matchbooks
5 manufactured in Mexico had previously been imported
6 beginning in the late 1990s by Diamond Brands.

7 However, these matches, although benefitting
8 from low labor costs, close proximity to the U.S.
9 market and other manufacturing advantages available in
10 Mexico, did not benefit from any direct government
11 subsidization and therefore did not have an unfair
12 competitive advantage over the domestic producers. As
13 a result, D.D. Bean was able to ultimately secure the
14 Diamond business through a normal competitive process.

15 The Mexican producer then started shipping
16 into the United States through Penley Corporation,
17 another substantial distributor of matches and other
18 household products to the grocery trade. Penley was
19 well known to the industry, and we were aware that he
20 had several large national accounts, some of which he
21 was selling private label matchbooks to.

22 In late 2006, we became aware that another
23 one of the Indian producers, this time one of the
24 major companies in the Sivakasi region, had captured
25 the Penley business away from the Mexican supplier.

1 The U.S. industry is forced to sell at
2 unsustainably low prices to meet the threat posed by
3 the unfairly traded Indian imports. Trevani had
4 already established a significant foothold in America
5 by basically dumping plain white matchbooks by the
6 containerload into large convenience store
7 distributors in the northeast.

8 Now one of the major Indian companies was
9 using the same predatory pricing strategy and was
10 about to invade the grocery trade on a national level.
11 This was the turning point for the domestic industry.
12 We knew that the Indian companies represented a far
13 greater threat than the Mexican imports, and we
14 decided that we no longer had any choice but to launch
15 an aggressive effort to win back customers regardless
16 of the price.

17 In 2007, both D.D. Bean & Sons and Bradley
18 Industries began a campaign to drastically reduce
19 selling prices and to forge new agreements with
20 distributors. On the one front these efforts did
21 result in a containment of the Indian producers'
22 expansion into the grocery trade, but the threat
23 remains and continues to suppress pricing despite our
24 increasing costs.

25 On the other front, the battle for the large

1 distributors in the northeast, we saw a temporary
2 decrease in the market share of plain white matchbooks
3 from Trevani, but at a tremendous cost, and now,
4 despite our efforts, the 2008 volumes show the trend
5 has reversed and the imports are once again building
6 back their gains.

7 The injury to the domestic industry has been
8 dramatic and unprecedented. The resulting impact on
9 the domestic industry has been devastating. Declines
10 in output, sales, productivity, capacity utilization
11 and return on assets all plainly demonstrate the
12 injury being wrecked.

13 The declines in output and capacity
14 utilization are perhaps most dramatically evidenced by
15 the decision earlier this year of the industry's only
16 other producer of commodity matchbooks, Bradley
17 Industries, to close their factory in Frankfort,
18 Illinois.

19 This company, also a multi-generational
20 family business and a highly efficient producer,
21 closed the factory which had been built by the
22 company's founder 40 years ago, forcing the
23 termination of many long-time employees.

24 For D.D. Bean & Sons, the impact of the
25 imported commodity matchbooks from India have created

1 the most difficult and adverse circumstances in the 70
2 year history of the company.

3 In our continuing attempt to cope with
4 falling revenue since the petition was filed on
5 October 29, we have been forced to lay off an
6 additional 10 percent of our remaining workforce.
7 This cutback is in addition to the drastic reduction
8 in employment already documented in the petition.

9 Wages have been frozen or reduced. All
10 plans for new equipment or expansions into new product
11 lines have been canceled or postponed. Since we are
12 committed to not take on debt, we have been forced to
13 liquidate assets to fund our operational losses.

14 Julia?

15 MS. BARTLETT: Thank you.

16 My name is Julia Bartlett, and I've worked
17 for D.D. Bean 20 years now. Because we are a small
18 company, I've had the opportunity to participate in
19 many facets of the organization and for the last nine
20 years as the VP of Fulfillment Management. My efforts
21 have been focused mainly on customer service and
22 sales, production planning and material sourcing,
23 inventory and accounting.

24 The U.S. industry is materially injured by
25 pricing practices of imported Indian commodity

1 matchbooks. Lost revenue and lost sales due to unfair
2 pricing of imported matchbooks from India will
3 indicate material injury.

4 The way we price our product has changed
5 dramatically since the increase in imported matchbooks
6 from India. It has been our practice for decades now
7 to develop a price list based on our costs, such as
8 raw material, labor and overhead, as well as a
9 reasonable profit.

10 In the past, we have issued the price list
11 to our customer base and used that price list to ship
12 and invoice our product all over the country. Our
13 longstanding customer base would implement the price
14 list and continue to purchase and distribute our
15 product.

16 When we have been required to compete on
17 price, we have met that challenge and secured the
18 business while continuing to sell at profitable
19 margins. However, that all changed when the Indian
20 imported matchbooks began gaining ground.

21 As a direct result of imports from the
22 subject merchandise and its pricing at less than fair
23 value, the U.S. industry has experienced material
24 injury and is threatened with further injury. Output
25 has declined. Employment has declined. Plants have

1 closed. Sales volume and revenue have diminished.
2 Capacity utilization has been reduced.

3 Gross profit and operating profit have
4 declined or turned negative. Prices have been
5 depressed. Return on assets has fallen, and prices
6 have been suppressed even in the face of sharply
7 escalating costs of raw materials. We have seen the
8 pricing trends reduced because of the actual presence
9 and sometimes the threat of imported commodity
10 matchbooks.

11 For example, in 2006 we were forced to roll
12 back pricing to some customers, reducing our revenue
13 by a very significant amount. At the same time, our
14 direct costs were increasing by as much as 12 percent.
15 This represented the worst of all scenarios --
16 declining revenue with increases in cost.

17 Our operating income fell in 2006 and has in
18 fact fallen every year since then. Because of price
19 rollbacks required to fight to retain market share,
20 the U.S. industry has been materially injured by
21 imports of the subject merchandise.

22 Furthermore, the pricing problems were not
23 limited to rollbacks. We lost significant sales in
24 2005 when customers began purchasing commodity
25 matchbooks from India. Apparently the unfairly low

1 price was too good to pass up, and many of our
2 customers rejected our pricing in favor of the much
3 lower priced Indian product.

4 This is when we learned that our superior
5 quality, excellent customer service and even pre and
6 post sales service didn't matter when price
7 underselling was happening.

8 In 2005, the lost sales resulted in a very
9 significant reduction in revenue. We lost more sales
10 revenue in 2006 when Indian import underselling took
11 19 percent of the commodity matchbook market from Bean
12 and Bradley, again using an unfairly low price which
13 for comparison purposes barely even covers our own raw
14 material cost.

15 In 2007 and 2008, we were able to recapture
16 some of the lost sales by offering the same extremely
17 low price for our product as Bean offered for the
18 subject merchandise. In an effort to compete fairly,
19 as has always been our practice, we discounted our
20 product price list by as much as 45 percent to some
21 customers and are selling below cost. This is not a
22 sustainable practice and resulted in material injury
23 as we experienced an operating loss for 2007.

24 The trend of decreases to gross profit and
25 operating profits also decreases return on assets.

1 When there is no return in the form of positive
2 operating income, there is no return on the assets
3 used in the operation. The material injury continues
4 as costs rise but prices don't, and the financial
5 outlook is bleak.

6 Since 2005, our gross profit has decreased
7 year over year, caused by the impact of Indian
8 commodity matchbooks. As our costs rise, we are not
9 able to issue a new price list because of the low-
10 priced imported Indian matchbooks. Both the injury
11 and the threat of future injury are very real, and
12 discounting is now our only defense.

13 We know we have taken back several national
14 grocery accounts which were already in the artwork
15 approval stage of purchasing commodity matchbooks from
16 India. We are fighting significant increases in raw
17 materials, factory overheads and related
18 transportation and energy costs. With output
19 declining, our capacity utilization is reduced and so
20 is our ability to absorb the fixed cost portions of
21 our factory overheads.

22 Our buying power for raw materials has also
23 been reduced as a result of the decline in output
24 caused by market share loss to Indian imports. Still,
25 we continue to work hard at negotiating carefully with

1 our suppliers for best pricing and have systems in
2 place to seek out alternate supplies to reduce costs.
3 This rarely results in savings.

4 Despite the aggressive efforts, we have been
5 unable to stem the increases. For example, we
6 purchase domestic paraffin for the match stems, and
7 the current cost is 185 percent over the 2005 cost.
8 Other inputs purchased domestically include paper,
9 chemicals, gelatin and adhesive.

10 All these costs are rising, and not only do
11 we need to stop the discounting, but we need to pass
12 on some of the raw material increases. Incidentally,
13 the inputs are identical or very similar for Indian
14 commodity matchbooks, and we expect their costs are
15 also rising, yet their pricing remains below fair
16 value and continues to cause injury.

17 Material injury for negative effects on
18 production and development efforts. Even though we
19 have been producing commodity matchbooks for 70 years,
20 we continue to fine tune our equipment and processes
21 because this has been key to our success as an
22 efficient producer. We are always looking for ways to
23 incorporate new, efficient technology into our
24 operation.

25 There have been several capital expenditure

1 proposals canceled and downsized as a result of the
2 declines in profit caused by the low product pricing
3 required to compete with the unfairly priced subject
4 merchandise. The resources are just not available for
5 development efforts.

6 We have shelved several new machinery
7 projects to upgrade and replace worn equipment. We
8 cannot allocate the resources while we are competing
9 so fiercely on price in the marketplace with the
10 imported commodity matchbooks. This will undoubtedly
11 catch up with us in a negative way. Again, this
12 indicates material injury caused by price underselling
13 of Indian commodity matchbooks imports because gross
14 profits are down consuming cash resources.

15 Furthermore, we have developed product
16 enhancements that have not been pursued because we
17 don't feel we are competing on any variables other
18 than price, and so long as the Indian imports are in
19 the marketplace we will not be able to pursue these
20 projects.

21 This retardation of product development is
22 an indication of material injury because product
23 enhancements and variations are important to the
24 long-term survival of our industry. Again, we cannot
25 allocate the resources because we are in a survival

1 mode.

2 The material injury continues, and the
3 threat remains constant despite the U.S. industry need
4 to raise prices, reduce the deep discounts and regain
5 a profitable foothold. We have been aggressive with
6 all cost control and cost cutting efforts as evidenced
7 by decreases in our indirect and fixed expenses. We
8 have stalled, canceled and postponed capital
9 expenditures not essential to the maintenance of
10 existing machinery.

11 These factors I've explained are indicative
12 of material injury caused by the subject merchandise.
13 It is clear from our operating results that we are
14 hurting because of the lost sales, the lost revenue,
15 the price rollbacks and overdue price increases. Our
16 efforts to lower cost, which have truly been
17 significant, are simply not enough to counter the
18 negative factors and trends caused by the imported
19 commodity matchbooks from India.

20 It goes without saying that any company
21 facing these circumstances would be suffering from
22 poor financial operational results. In our case, the
23 current results are unsustainable.

24 MR. M. BEAN: In conclusion, as we stated in
25 our petition, we believe an investigation by the U.S.

1 Department of Commerce and the U.S. International
2 Trade Commission will confirm that the Indian
3 producers do not have any inherent competitive
4 advantage over the domestic industry other than the
5 subsidies provided by the government to promote this
6 specific industry and exports in general.

7 We also believe the investigation will
8 reveal that the subsidized imports are being sold and
9 are likely to continue to be sold at prices below fair
10 market value and that the domestic industry has
11 suffered substantial injury as a result.

12 D.D. Bean & Sons Co. and the industry
13 members supporting our efforts, Bradley Industries,
14 are two multi-generational, family owned companies who
15 have mastered, with the help of dedicated employees,
16 the efficiencies of their respective businesses and
17 have become two of the largest and most proficient
18 producers of matchbooks in the world.

19 However, we sincerely need our government's
20 help if our businesses and our industry are to
21 continue to survive. The issue at hand is the unfair
22 and predatory trade on the part of the Indian
23 matchbook producers which the competitive strengths of
24 the domestic producers cannot overcome.

25 That is why we were compelled to take this

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1 action, and that is the reason we seek this relief.
2 Despite our attempts to deter the imports in the
3 marketplace and notwithstanding all the efforts we
4 have made to reduce our costs, it has been to little
5 or no avail.

6 The battle is stacked against us, and these
7 imports cannot be beaten back with any of the weapons
8 of fair trade. The industry is being mortally injured
9 from this assault by the Indian match industry on the
10 domestic market, and we do not know how much longer we
11 can continue to hold out against it.

12 On behalf of our company, our employees and
13 all of the employees in this industry, we respectfully
14 request that the Commission reach a determination that
15 there is a reasonable indication that the U.S.
16 industry, the American commodity matchbook industry,
17 has been materially injured and is threatened with
18 material injury by reason of imports of the subject
19 merchandise, commodity matchbooks from India.

20 Thank you.

21 MR. CARPENTER: Thank you very much, panel,
22 for your presentation. It's been very informative.

23 We'll begin the staff questions with Olympia
24 Hand, the investigator.

25 MS. HAND: Thank you for your presentations

1 and welcome. It's very informative.

2 I'm wondering if you could address here or
3 in your postconference brief something about the like
4 product consideration. I understand that you've given
5 a very thorough treatment of like product
6 consideration from the standpoint of your first line
7 of customers.

8 So you have given us a description of the
9 physical uses and characteristics, customer and
10 producer perceptions, price, manufacturing facilities,
11 interchangeability and channels of distribution as
12 your first customer, but what I'm interested in is
13 what about from the end users' point of view?

14 Is there interchangeability? Are there
15 price differences? Are there customer perceptions or
16 differences in terms of the commodity matchbooks and
17 promotional matchbooks and even wooden match boxes?

18 Because it seems to me, and I might be
19 guessing a little bit here, that the Indian
20 Respondents here are saying that there's sort of a
21 confluence of perceptions when it comes to the end
22 users, such as myself; that the end user might get the
23 products free so that there may not be such a wide
24 difference in price that you see with your first
25 customer and the first customer of the promotional

1 matchbooks and the wooden match boxes.

2 Obviously there's a big price difference at
3 that level of trade, but then when it comes to the
4 free giveaways everything is distributed free and so
5 forth, so I'm just wondering if maybe you could give
6 some kind of treatment of that because I believe
7 that's what the Indian Respondents are maybe getting
8 at here and that the end user might be using these
9 items interchangeably to light the matches and that it
10 may be difficult to figure out what the end user may
11 be using it for.

12 Even if the promotional items, as you say,
13 are intended for promotion, they may wind up being lit
14 and et cetera, so there might be some
15 interchangeability there.

16 MR. M. BEAN: Well, I think we pointed out
17 that, you know, we acknowledged that promotional
18 matchbooks may be used as an ignition, for ignition
19 purpose, but that doesn't change their primary
20 function, which is to be as a promotional product for
21 the establishment giving a very localized and highly
22 specific targeted promotional purpose of the business
23 giving them away, as opposed to commodity matchbooks,
24 whose primary function is as an ignition device.

25 That's the contrast that we're trying to

1 delineate here. Does that come close to answering
2 what you're saying, or do you want us to expand more
3 on that?

4 MS. HAND: Well, I think it might be in your
5 best interest to maybe expand more.

6 You might want to think about it for your
7 postconference brief in terms of maybe some arguments
8 about where there's some interchangeability on the end
9 user end and where there's not. You've given us some
10 excellent points in terms of your customers. I don't
11 know.

12 Another question I have is in 2005 you went
13 to the CTFC and presented an argument about safety
14 issues, and there you named a Chinese firm who was in
15 the market and the Mexico firm.

16 I was wondering if you had an idea of
17 possibly what happened to the Chinese competition in
18 the market over time and then maybe a little bit more
19 detail about what happened to the Mexican competition.

20 What was the trend? What was the reason for
21 the trend over time where the Chinese and Mexican
22 competition sort of exited the market, if you will,
23 the reason?

24 MR. M. BEAN: Okay. I believe that the
25 Chinese company that was -- what we did back in 2005

1 with the Consumer Products Safety Commission was to
2 simply point out that there were imported matches that
3 did not have the certification required by the
4 Consumer Products Safety Commission. We didn't make
5 initially any direct allegations about their quality.

6 The Chinese company is no longer producing
7 matches, and I'm not 100 percent sure what their
8 circumstances were or what happened to them. The
9 Mexican company, as I said, originally they were being
10 imported by Diamond Brands. We successfully won that
11 business back. Then it switched to supplying Penley
12 Corporation.

13 I assume that both companies met the -- I'm
14 sure that the Indian company did, and I assume the
15 Mexican company also met the certification
16 requirements of the Consumer Products Safety
17 Commission.

18 MS. HAND: Okay. In your petition you
19 talked about another Indian firm, Hind I believe it
20 was, in the market, as well as Trevani.

21 I was wondering if you were aware that that
22 company was also shifting to the United States. In
23 your testimony you did mention that there was another
24 firm possibly shipping. Do you know anything more
25 about Hind?

1 MR. M. BEAN: No. Hind and Standard
2 Industries apparently are the same company, or there's
3 a relationship there.

4 We were not aware at the time that Hind was
5 a manufacturer of matchbooks at all. Back when we saw
6 that through our search service, the Zepal bill of
7 lading service, we saw their name as the shipper on a
8 particular order of commodity matchbooks, so
9 apparently they were.

10 Now, I don't know whether they were the
11 producer of those matchbooks or whether they were the
12 exporter of the matchbooks or somebody else produced
13 them. I don't know, but they were shown on the bill
14 of lading as the shipper.

15 The other company, Trevani, who we
16 mentioned, and then there is Bell Match, which is an
17 exporter of promotional matchbooks and wooden
18 matchbooks to the U.S.

19 But Hind, other than they're one of the main
20 companies in the Sivakasi region and are hooked up
21 with the rest of all the other companies in that
22 region, we don't know much about them.

23 MS. HAND: Okay. I don't have any other
24 questions for right now.

25 MR. CARPENTER: Mr. Sultan?

1 MR. SULTAN: Mr. Bean, Mark Bean, I think
2 you mentioned that the other domestic producer,
3 Bradley, closed its Frankfort plant this year as a
4 result of competition from Indian imports.

5 Can you elaborate on that a little bit more?
6 I mean, we know the plant closed, but where did you
7 get your information that it was directly on account
8 of imports from India?

9 MR. M. BEAN: Through the accounts of the
10 Bradleys themselves, and I don't know their specific
11 financial, you know, situation or exactly the injury
12 in terms of financial that they were incurring that
13 made them reach that conclusion, but my understanding
14 from what they've told me is that the loss of volume
15 primarily made it impossible for them to maintain the
16 overhead of a separate manufacturing location and that
17 they had over several years -- we had a longstanding
18 supply agree with Bradley to purchase commodity
19 matchbooks from them, and over the last few years they
20 have been trying to get or they had hoped that they
21 could get price increases from us to recoup some of
22 the rising costs and also the rising costs
23 attributable to reduced volume.

24 Because of the pressure of the commodity
25 matchbooks from India, we were lowering our prices

1 dramatically. We couldn't afford to pay more for the
2 Bradley support, so they had to hold the line on their
3 pricing to us while they were faced with increasing
4 costs and while they were losing -- and we also
5 couldn't buy the quantities that we had originally
6 agreed to buy, so they were losing out on all ends of
7 that deal.

8 As I said, I don't know what the financial
9 circumstances were, but from what they expressed to me
10 it seemed, you know, reasonable that they just
11 couldn't sustain keeping that separate factory open
12 anymore given those circumstances.

13 MR. SULTAN: Thank you. That's all I have.

14 MR. CARPENTER: Ms. Mic?

15 MS. MIC: Good morning. Thank you all for
16 coming here today. My name is Ioana Mic. I'm the
17 economist in this investigation. I have a couple of
18 questions about pricing and demand. I'm going to pick
19 up on something you were just talking about, Mr. Mark
20 Bean, about Bradley. Did you just mention that you
21 were purchasing matchbooks from them?

22 MR. M. BEAN: Yes.

23 MS. MIC: Did you purchase from anybody
24 else?

25 MR. M. BEAN: No.

1 MS. MIC: So this was your only supplier?

2 MR. M. BEAN: Yes.

3 MS. MIC: What type of matchbooks did you
4 buy from them?

5 MR. M. BEAN: We bought the plain white.

6 MS. MIC: All right. Thank you for that.
7 Would you please describe the difference from both
8 pricing and characteristics between the plain white --
9 well, basically the plain white are just plain, right?
10 They don't have anything on them? Would thank you be
11 part of them or is that something different?

12 MR. M. BEAN: Well, they both serve
13 approximately the same function, the plain white and
14 the thank you matches. They're the generic, low end
15 of the scale.

16 MS. MIC: So would they be priced
17 differently if it's just plain or has just thank you
18 on it?

19 MR. M. BEAN: Our pricing is the same for
20 both.

21 MS. MIC: Okay. Would you be able to
22 explain the difference -- okay. How would you
23 describe the matchbooks that include a phone number,
24 or a store logo, or do they have an address on them
25 as well? I'm trying to understand the difference

1 between commodity in the scope versus the promotional
2 ones.

3 MR. M. BEAN: Okay. Well, a promotional
4 matchbook would be the kind that when you're in a
5 restaurant, or a hotel, or a casino, or a bar and that
6 establishment uses the matchbook as a specialty
7 advertising promotional product, the same as they
8 would use a pen that had their name on a pen, or a
9 napkin, or a coaster, or whatever it might be.

10 The primary purpose of those products are
11 for promotional purposes, to remind you, their
12 customers, of the name of the establishment, maybe the
13 phone number, maybe the address, and it's something
14 for you to take with you as a promotional product, as
15 a keepsake, as a memento from that establishment.
16 That's the promotional side of it.

17 MR. C. BEAN: Can I just add something here,
18 Mark?

19 MS. MIC: Sure.

20 MR. C. BEAN: Very often you'll get --

21 MS. MIC: Can you put your microphone on?

22 MR. C. BEAN: Pardon me. Yes. For
23 promotional, it's pretty easy to zero in on because
24 I'm sure you're all familiar with when you go to, I
25 don't know, a meeting, a convention, or whatever,

1 different companies have little flashlights that have
2 their name on it or letter openers that have their
3 name on it, they might have keychains that have their
4 name on it, those are the promotional type products.

5 They're purchased and given away for the
6 purpose of promoting a business and not for the
7 purpose of ignition of candles, cigarettes, whatever.
8 They have a secondary purpose. I think that's an
9 important thing to remember is that the promotional
10 matches, the secondary purpose is the ignition.

11 MS. MIC: Okay. Were you going to add
12 anything else?

13 MR. M. BEAN: That's the idea. We're not
14 saying that promotional matchbooks can't be lit, they
15 certainly can be, but their function as an ignition
16 device is secondary to their value as a promotional
17 product. It's exactly the opposite with commodity
18 matchbooks.

19 MS. MIC: Okay. I understand the difference
20 between --

21 MR. M. BEAN: Yes. The other thing, just to
22 elaborate on that, the physical characteristics are
23 different. Promotional matchbooks are most common 30
24 sticks per book. That's the standard for promotional
25 matchbooks, but they can come in all kinds of sizes.

1 They can be as few as 10 sticks per book, they can
2 have as many as 40, some specialties even have a whole
3 match strip, 120 match sticks in the book.

4 The matchbook covers themselves can be die
5 cut into different shapes. They come with a variety
6 of different options in terms of the colors of the
7 match heads, the colors of the match stems, the
8 printing on the cover, the type of cover stock used,
9 the embossing. All kinds of variations are available
10 with promotional matchbooks.

11 Commodity matchbooks are standardized.
12 They're 20 sticks per book, they have printing, but
13 it's standardized printing to the extent that we don't
14 do embossing, we don't do a lot of various, you know,
15 highly customized types of printing, and then all of
16 the features, all of the physical characteristics, are
17 standardized.

18 MS. MIC: Okay. And how would you describe
19 the pricing for the ones that are printed? What's the
20 range? Which are your best seller?

21 MR. M. BEAN: Yes. Well, the range of
22 commodity matchbooks, whether it's printed or plain
23 white, that range or are you talking about the price
24 range difference between commodity and promotional?

25 MS. MIC: No. I'm talking about the

1 commodity which are printed.

2 MR. M. BEAN: Printing in and of itself is
3 not the key determining factor in the pricing. As we
4 said, the plain white and the thank you's -- thank you
5 matches are printed but they're priced in the same
6 category. They're both inventory items that we sell
7 to specific types of customers, and, as I said, we
8 produce them to inventory and sell them out of
9 inventory.

10 Some commodity matchbooks sell for more is
11 if they are produced to order for private label
12 customers such as large grocery store chains,
13 convenience store chains, then those are printed, but
14 it's not specifically the printing that makes them
15 sell more, it's the fact that we produce them to order
16 for a specific customer.

17 They're still in large quantities, they're
18 still intended for resale distribution, and they will
19 ultimately be resold to consumers, but they do have
20 printing that is customized to that particular
21 convenience store or supermarket chain. The
22 promotional, well, that range is between, what are we
23 using, like for pricing the difference between
24 commodity and private label?

25 MS. BARTLETT: Is that something we could

1 include in our brief?

2 MR. M. BEAN: Yes. That's probably better,
3 to do that.

4 MS. BARTLETT: I don't think we should give
5 out pricing.

6 MR. M. BEAN: Yes.

7 MS. MIC: Yes, that would be fine.

8 MS. BARTLETT: Okay. We could address that
9 in the brief.

10 MS. MIC: Excellent. Thank you.

11 MR. M. BEAN: That range is relatively
12 narrow. The difference between commodity matchbooks
13 of any type, whether they're printed, or plain white,
14 or for private label, or out of inventory, and
15 promotional matchbooks is the factor, it could be they
16 sell for 10 times because they're highly customized,
17 they're produced in very small runs and they offer
18 much more sophisticated and highly customized
19 variations.

20 MS. MIC: Thank you for those answers. Do I
21 have anymore time? Okay. I have one more question.
22 How would you describe the demand for matchbooks since
23 January 2005?

24 MR. M. BEAN: Overall, the demand? The
25 matchbooks are definitely tied to cigarette smoking

1 and cigarette smoking has been declining, so overall
2 our market has been declining.

3 MS. MIC: Please feel free to answer this in
4 your postconference brief. So the demand has been
5 decreasing, but were you able to set aside a domestic
6 demand? I guess I'm talking about your -- well, did
7 you operate at full capacity? Did you have to reduce
8 the capacity because of decrease in demand?

9 MR. M. BEAN: I don't know if maybe that's
10 something --

11 MS. BARTLETT: Could we address it --

12 MS. MIC: Yes, please. Thank you very much.

13 MS. BARTLETT: We'll do a good job of
14 answering that question.

15 MS. MIC: Good. Thank you.

16 MR. CARPENTER: Mr. Boyland?

17 MR. BOYLAND: Good morning. Thank you for
18 your testimony. I do have outstanding questions which
19 I've already submitted to the company, and I
20 appreciate your time working on that. I'm not going
21 to try to cover those here, but probably adding to
22 them to a certain extent.

23 In terms of the company's structure, Mr.
24 Mark Bean, you mentioned that you're the President of
25 the Match Division. What other divisions are there?

1 MR. M. BEAN: Well, at the current time,
2 that's all there is. I guess going back over 10 years
3 now, the company used to be larger. We used to have a
4 couple of subsidiary businesses outside of matches and
5 we have subsequently divested all of those other
6 businesses, so all there is left is the match
7 business.

8 MR. BOYLAND: Okay. Thank you. With
9 respect to the sales of the commodity matchbooks, is
10 this a direct sale? In other words, it's not on a
11 consignment basis? You recognize the sale?

12 MS. BARTLETT: That's correct.

13 MR. BOYLAND: Okay. What are the terms
14 generally?

15 MS. BARTLETT: Two percent. Ten to 30 is
16 our typical.

17 MR. BOYLAND: Okay. Ms. Bartlett, you
18 mentioned the effort to reduce costs during the
19 period. Could you sort of expand on that in terms of
20 you've talked about expenditures that you didn't incur
21 because of constraints. In terms of the actual
22 production cost, what, if any, efforts were made in
23 that direction to reduce manufacturing costs?

24 MR. CARPENTER: Could you please bring the
25 microphone a little closer? Thank you.

1 MS. BARTLETT: I'm sorry. In terms of
2 reductions in factory overhead?

3 MR. BOYLAND: Well, I guess all the inputs
4 to the extent that there were, you know, specific
5 elements that you were able to control the cost and
6 reduce, if you could talk about that.

7 MS. BARTLETT: The biggest impact has come
8 from changes in our indirect costs. You know, SG&A,
9 we've really worked hard on that.

10 MR. BOYLAND: With respect to the indirect
11 SG&A, could you sort of here or in a posthearing
12 submission talk about specifically those elements?

13 MS. BARTLETT: I could definitely expand on
14 that in the brief. Expand on that and give you some
15 specific examples.

16 MR. BOYLAND: That would be good.

17 MS. BARTLETT: Okay.

18 MR. BOYLAND: In terms of fixed costs in
19 general, and I realize that could be both
20 manufacturing as well as SG&A, could you give me a
21 percentage in the posthearing brief of what element or
22 what part of those costs would be fixed as opposed to
23 variable?

24 MS. BARTLETT: Yes. We can definitely do
25 that.

1 MR. BOYLAND: Okay.

2 MS. BARTLETT: Would it be okay if I covered
3 all of that in the posthearing brief, the factory
4 overhead reduction --

5 MR. BOYLAND: Yes. That would be fine.

6 MS. BARTLETT: Okay.

7 MR. BOYLAND: And you mentioned in your
8 testimony that there was a sharp decline in volume in
9 2005, is that correct, compared to 2004?

10 MS. BARTLETT: Decline in volume?

11 MR. BOYLAND: Correct.

12 MS. BARTLETT: Versus 2004?

13 MR. BOYLAND: Maybe I misunderstood, but it
14 sounded like the testimony was indicating that 2005
15 was already reflecting a significant decline over
16 previous volume. Is that correct?

17 MS. BARTLETT: I was referring to a decline
18 in sales.

19 MR. BOYLAND: Okay. Well, sale, I guess I'm
20 using them interchangeably. I guess the reason I'm
21 asking the question is 2005 will be where we start the
22 period that we're looking at, so to the extent that
23 2005 is already reflecting a significant drop off as
24 opposed to 2005 sort of already reflecting normal
25 operations that deteriorate over time -- I guess what

1 I'm trying to get is a picture of was 2005 already
2 aberrational in terms of sales or not?

3 MS. BARTLETT: It was because the imports
4 had started in 2003 and 2004, and then 2005 we took a
5 big hit.

6 MR. BOYLAND: Okay. Okay. And I guess this
7 sort of gets back to how the product is actually sold.
8 You mentioned different channels of distribution:
9 distributors, grocery. What were the other channels?

10 MS. BARTLETT: We call them wholesale
11 grocers and convenience store wholesalers. Those are
12 the two big channels.

13 MR. BOYLAND: Okay. And did that change
14 over the period? I mean, obviously there's
15 competition, but did the mix?

16 MS. BARTLETT: Yes, yes. We lost volume in
17 pretty much all the channels, those two primarily, but
18 all the channels.

19 MR. BOYLAND: Okay. But I guess from the
20 beginning period to the end did the mix stay the same?
21 I guess that's where I'm -- I mean, at a lower level,
22 but is there one channel that's more represented at
23 the end versus the beginning?

24 MS. BARTLETT: Is that something I could
25 look into and answer --

1 MR. BOYLAND: Sure. Yes. And in terms of
2 how the product is actually marketed, do you have a
3 dedicated sales force, marketing agents? How does it
4 actually work in terms of the sales?

5 MS. BARTLETT: We handle most of the sales
6 in house. We have an in house sales staff and we do,
7 you know, all the customer service and the sales. Do
8 you want to add to that, Mark?

9 MR. M. BEAN: Yes. Most of our sales are
10 through distributors. A large part of our sales are
11 through large distributors in different segments of
12 the market. Diamond Brands is a big customer of ours.
13 They're a big distributor into the grocery trade.
14 Then Sultana Distribution Services is another big
15 customer. They're a big distributor in the wholesale
16 convenience store market.

17 MR. BOYLAND: Okay. Meaning it would be
18 national distributors?

19 MR. M. BEAN: Who are the national?

20 MR. BOYLAND: National. In other words, the
21 scope of your sales ultimately are national. You're
22 not limited to a specific region.

23 MR. M. BEAN: No. We sell in all 50 states.

24 MR. BOYLAND: Okay. And this sort of gets
25 back to the question of the promotional versus the

1 commodity. It's not the pricing part specifically,
2 but if you could provide sort of a way of looking at
3 the average cost? We have numbers in the petition and
4 the questionnaire that we can calculate so we have an
5 average manufacturing cost for -- and I realize you
6 have a number of different promotional SKUs.

7 I'm assuming you'd have standard costs for a
8 number of different types of promotional matches.
9 Would it be possible, and this is sort of just to get
10 sort of a gauge of the difference in cost, do you have
11 a standard cost by promotional type, or SKU, or how
12 does it work?

13 MS. BARTLETT: We really don't. It's not
14 something we segregate at all. I could work with, you
15 know, some theoreticals. I could certainly generate a
16 bill of material.

17 MR. BOYLAND: Well, that, I think would be
18 helpful. If you could sort of use your, you know,
19 what are the larger, among an admittedly small total,
20 if you could say, well, this was a representative
21 sample of the types that we were selling during the
22 period and generate a comparable manufacturing cost so
23 I could see, is it -- again, you were talking about a
24 factor of 10 between the pricing of commodity versus
25 promotional.

1 i think it would be kind of helpful to see
2 on the cost side what the difference is.

3 MS. BARTLETT: Okay.

4 MR. BOYLAND: Again, I understand if it's
5 something you have to kind of work to develop. That
6 would be helpful.

7 MS. BARTLETT: Yes, very. Some of it may be
8 modeling, but I'll make sure I have a detailed
9 worksheet.

10 MR. BOYLAND: Okay. And I think that's it.
11 Thank you.

12 MR. CARPENTER: Mr. Johnson?

13 MR. JOHNSON: Hi. Larry Johnson, Office of
14 Industries of the ITC. Just a couple of quick things
15 on the promotional versus the commodity. Do you all
16 manufacture promotional matchbooks?

17 MR. M. BEAN: Less than one percent of our
18 output were promotional matchbooks.

19 MR. JOHNSON: Okay. Do you use the same
20 equipment to manufacture promotional matchbooks that
21 you do commodity matchbooks?

22 MR. M. BEAN: Yes. We only have one type of
23 equipment, so yes.

24 MR. JOHNSON: Okay.

25 MR. M. BEAN: We have to do things

1 differently but it's the same equipment.

2 MR. JOHNSON: Okay. So you have a different
3 production line for promotional than commodity?

4 MR. M. BEAN: No. For the promotional
5 matchbook we have an assembly line that has 20 stick
6 assembly machines. There's 18 of them in a single
7 production line of 20 stick commodity assembly
8 machines. Then we have one 30 stick assembly machine
9 that's off to the side. It's not part of the main
10 line. The little bit of promotional matchbooks that
11 we do run are run on that one machine that's not part
12 of the main run.

13 MR. JOHNSON: Okay. And the only real
14 difference between the commodity matchbooks and the
15 promotional matchbook is what's printed on the cover?

16 MR. M. BEAN: No.

17 MR. JOHNSON: For 20 stick matchbooks.

18 MR. M. BEAN: For 20 stick matchbooks the
19 difference would be, it could include what's printed
20 on the cover, but it would also include other kinds of
21 customizations that are available, and it would also
22 be in much smaller volume. So the whole production
23 process would be completely different from prepress
24 all the way through to the preparing of the small
25 order for shipment. The whole process would have to

1 be handled completely differently.

2 MR. JOHNSON: Okay. Thank you.

3 MR. GASTON: The match heads might be
4 different colors.

5 MR. M. BEAN: The colors of the match heads,
6 the stems would be different, the number of sticks in
7 the books. Everything about it would be different.
8 It's very difficult to change, for instance, the color
9 of the match heads.

10 MR. CARPENTER: Can you turn your microphone
11 on, please?

12 MR. M. BEAN: It's very difficult to change
13 the color of the match heads. The promotional matches
14 are short runs and even on the special line that we
15 have it's a faster machine, so if we were going to run
16 a lot of short runs, there would be a lot of waste
17 because the changeover from one customer's match to
18 another customer's match would be difficult and there
19 would be a lot of waste.

20 MS. BARTLETT: I think I could just add to
21 that from a production, planning perspective. Again,
22 the promotional matchbook order would be like one or
23 two cases. We ship in truckloads, and pallet loads
24 and, you know, that's how we handle the product coming
25 all the way through.

1 The commodity matchbook is a continuous
2 system whereas the promotional matchbook is really
3 kind of a discrete system where, you know, you collect
4 everything you need, and then you assemble the
5 matchbooks, and then you give it to UPS, whereas with
6 us, we start the machines up, you know, 4:00 in the
7 morning and they don't stop all day long, and, you
8 know, matches are coming out the end and going into
9 trailers and being trucked off.

10 MR. C. BEAN: Yes. We change jobs while the
11 machines are running.

12 MR. CARPENTER: Mr. Deyman?

13 MR. DEYMAN: I'm George Deyman, Office of
14 Investigations. Are there producers of promotional
15 matchbooks in the United States other than the small
16 amount that you produce?

17 MR. M. BEAN: Yes. Bradley Industries,
18 well, actually, through their division, Atlas Match
19 Corp., has a factory in Euless, Texas.

20 MR. DEYMAN: Do you know whether they
21 produce the promotional and the commodity on the same
22 equipment?

23 MR. M. BEAN: I believe they either produce
24 it on the same equipment in that plant or they've
25 developed some modifications to their promotional

1 equipment to produce it there. They had never
2 produced commodity matchbooks there until they closed
3 the facility in Frankfort, Illinois. At the facility
4 in Frankfort, Illinois, they had a separate line that
5 produced commodity matchbooks, separate equipment.

6 MR. DEYMAN: Why would promotional
7 matchbooks most commonly have 30 sticks per book?

8 MR. M. BEAN: More space on the cover for
9 the customizations and the printing options. They're
10 preferred by the promotional users because there's
11 more space.

12 MR. DEYMAN: On page 15 of the petition you
13 indicate that consumers who use matchbooks to light
14 cigarettes do not consider matchbooks that contain
15 less or more than 20 matches as interchangeable with
16 matchbooks that contain 20 match stems. Why would
17 that be? Isn't a match a match?

18 MR. M. BEAN: It is as far as actually the
19 lighting of the cigarette, but the 20 match stem book
20 is smaller, thinner and it has exactly 20 matches
21 which corresponds to the number of cigarettes in the
22 pack.

23 MR. DEYMAN: All right.

24 MR. C. BEAN: Excuse me. Is it on? The
25 promotional match would be picked up at a restaurant

1 or something like that whereas the commodity match
2 would be picked up at an outlet where other commodity
3 products are sold such as a convenience store, and
4 you'd pay for it, or a grocery store, and you'd pay
5 for it, or a convenience store, and it would be given
6 away with a purchase of cigarettes.

7 I think that's probably the big difference
8 between why people that use promotional matches
9 wouldn't use them for the utilitarian purpose of
10 lighting, because they're not available unless you go
11 to a restaurant, then you have to take one home, or
12 wherever you might find them. They're not available
13 in a lot of outlets, and you can't pick them up in a
14 commodity-type outlet, like a convenience store, CFS,
15 or whatever.

16 MR. DEYMAN: You mentioned that, for
17 example, a restaurant, or a bar, or a casino might
18 have other items that they give away for advertising,
19 like you said keychains, I believe, or little
20 flashlights, things like that. It seems to me the
21 consumer who picks up the keychain, or the flashlight,
22 or the matchbook at the casino would be picking that
23 product up because they intend to use it for
24 something.

25 So to that extent, wouldn't the ultimate

1 consumer consider a promotional matchbook
2 interchangeable with a commodity matchbook?

3 MR. C. BEAN: Well, I think the promotional
4 items in a casino, for instance, would be more in the
5 nature of, you know, the chocolates, or the, I don't
6 know, there may be little sewing kits, not sewing
7 kits, but, you know, those types of things that aren't
8 utilitarian.

9 MR. M. BEAN: If I need a flashlight, I
10 don't think about going to a casino to get a
11 flashlight with a casino's name on it. If I want a
12 book of matches because I'm a smoker and I want to
13 light my cigarettes, I don't think about going to a
14 restaurant to get that book of matches, I go to a
15 store where cigarettes are sold, then I buy matches or
16 I get one given to me with the purchase of cigarettes.

17 MR. C. BEAN: Yes.

18 MR. GASTON: I guess one other difference is
19 that those other giveaway products are durable and
20 they don't get used up whereas matches within a
21 matchbook would get used up if you actually use them,
22 and then you'd throw away the promotional item if you
23 actually used it. The purpose of the casino owner is
24 to have you keep the promotional item. They don't
25 want you to use it, they want you to keep it as long

1 as possible.

2 MR. C. BEAN: Yes. If you go to a
3 convention where they're selling insurance or
4 whatever, you might get the flashlights at the casino
5 with a product name on it, that would be the
6 difference, as opposed to a casino where you wouldn't
7 find the letter openers, and that sort of thing, and
8 flashlights.

9 MR. DEYMAN: What about the market for
10 commodity matchbooks versus promotional matchbooks in
11 the United States. Which market is larger?

12 MR. M. BEAN: In terms of volume, commodity
13 matchbooks are significantly larger. In terms of
14 value, the commodity matchbooks are slightly larger.

15 MR. DEYMAN: And has that changed much over
16 time over the past three or four years? Has there
17 been a shift towards promotional, or away from it, or
18 is it about the same?

19 MR. M. BEAN: I think it's about the same.

20 MR. DEYMAN: You mentioned that you
21 purchased commodity matchbooks from Bradley. Why
22 would you have purchased them from Bradley? I mean,
23 why did you need to purchase any at all?

24 MR. M. BEAN: Well, the agreement that we
25 had with them actually was a long-term agreement that

1 goes back 10 years.

2 When it was initially entered into we
3 actually did need to supplement our own production,
4 and on the separate line that they had at the
5 Frankfort facility they were very efficient at
6 producing the plain white match where we specialized
7 more -- we could certainly do the plain white, but we
8 also were good at doing the more private labels,
9 higher quality printing, so we focused on that and
10 purchased some of the plain white from them.

11 MR. C. BEAN: That would be the grocery
12 stores and the space advertising that we did.

13 MR. DEYMAN: I see. Did you ever produce
14 commodity matchbooks at full capacity and because you
15 were full out you had to buy more from Bradley?

16 MR. M. BEAN: Yes. That's why we entered
17 into the agreement. See, before we had three
18 factories in the United States, and over a period of
19 time we had consolidated into just the one factory in
20 New Hampshire, and back, like I said, about 10 years
21 ago we had all of the demand we could handle at the
22 Jaffrey factory, so we did need to supplement some of
23 our volume through Bradley.

24 MR. DEYMAN: You mentioned a couple of I
25 guess customers. You mentioned Diamond Brands,

1 Sultana. How do you sell to those companies? Is it
2 through bids, or do you have contracts, are there
3 annual negotiations? Just if you could tell us a
4 little bit how it works?

5 MR. M. BEAN: Yes. Some of that would be
6 confidential. I think that it's been a combination of
7 price and service that we offer that are competitive
8 advantages, but as far as exactly whether it's -- the
9 terms of any agreements would be confidential.

10 MR. DEYMAN: Of course you can answer in the
11 postconference brief. I'm just trying to get a basic
12 idea of how do the Indian companies compete against
13 you at your customers? Is it like an annual? Does it
14 differ by customer?

15 MR. M. BEAN: Yes. When you're talking
16 about for plain white matches, the buyers of those
17 matches, there's no contracts. They're pretty much
18 only interested in price. They buy a container load
19 at a time. You know, for the most part, the next time
20 they're ready to buy they buy from the supplier who
21 has the lowest price. Distributors who handle private
22 labels for grocery stores and more of that kind of
23 thing, it's a little more, you know, complicated
24 process.

25 MR. DEYMAN: So would you say there's a

1 large spot market for commodity matches?

2 MR. M. BEAN: Yes.

3 MS. BARTLETT: Yes. I would say that
4 there's a -- we can address specifics in the
5 posthearing brief, if you'd like. We do have
6 percentages on that.

7 MR. DEYMAN: Just a few more questions.
8 What about the quality of the Indian matches? Is it
9 similar quality to yours?

10 MR. M. BEAN: For the most part it seems to
11 be adequate for the -- the bulk of the matches have
12 been the plain white matches so we really haven't seen
13 a lot of the printing, but overall, the function of
14 the match seems to be equivalent or satisfactory
15 anyway.

16 MS. BARTLETT: Yes. I would say it's
17 satisfactory.

18 MR. DEYMAN: All right. I was looking at
19 the official import statistics. Now, apparently the
20 HTS statistical reporting number under which
21 matchbooks is imported includes other kinds of
22 matches, and perhaps other products, so I don't know
23 how indicative the official statistics are but they do
24 show that there are only three major suppliers to the
25 United States, that's India, China and Mexico.

1 The imports from India actually went down a
2 little bit between 2005 and 2007, at least based on
3 the official statistics, the imports from China went
4 down even more, and the imports from Mexico were way
5 down. Are the imports from China and Mexico commodity
6 matches or are they something else?

7 MR. M. BEAN: The imports from Mexico are
8 commodity matchbooks, and, as I said, they were
9 supplying one of the distributors in the United
10 States. In late 2006 we found out that one of the
11 Indian companies had successfully taken that business
12 from Mexico, so it was in the process of switching
13 from Mexico to India.

14 That was when the domestic industry decided
15 that we needed to try to recapture that business by
16 lowering our price. So that's why the Mexican volumes
17 went down. The Chinese volumes, there was one
18 producer that went out of business. There still seems
19 to be some product coming from China, but I'm not
20 really sure what it is or where it's going.

21 MR. DEYMAN: So I suppose you're saying that
22 there are no major sources of commodity matches in
23 nonsubject countries that are affecting the U.S.
24 market for the commodity matches to any large degree.
25 Is that correct?

1 MR. M. BEAN: Not at the current time.

2 MR. DEYMAN: Not at the current time. All
3 right. In Exhibit 32 of the petition you indicated,
4 actually this is a quote where you say, "the only
5 countries with historical and current resale
6 distribution of commodity matchbooks for general
7 consumption are the United States, Canada, Egypt and
8 Guatemala". Why would commodity matchbooks be limited
9 to those four countries? I would think that there
10 would be producers in many countries of commodity
11 matchbooks.

12 MR. M. BEAN: It is a very curious thing. I
13 think, and I don't really know for sure, the primary
14 reason is historically Swedish Match Company is a
15 very, very well-established international producer of
16 matches and has been for like 150 years. They set up
17 match factories all around the world to produce wooden
18 matches, and those factories became established, the
19 countries became accustomed to using wooden matches,
20 and it's just the way it was.

21 Commodity book matches, book matches of
22 really any kind, were developed in the United States
23 and primarily the United States and Canada have been
24 the two major markets for them. Specifically why
25 Egypt, why Guatemala, I can't really answer.

1 MR. DEYMAN: All right. And one final
2 question. I believe, Mr. Mark Bean, you mentioned
3 that there's no domestic market in India for commodity
4 matchbooks. They smoke cigarettes in India I suppose,
5 but are you saying that in India they would use wooden
6 matches?

7 MR. M. BEAN: Yes, they use wooden matches.
8 As I mentioned in my testimony, it's a very well-
9 established industry that has tens of thousands of
10 employees working in it. A lot of the industry for
11 the domestic market is in the carton sector where they
12 actually make the matches by hand and that's why they
13 employ so many people.

14 MR. DEYMAN: Thank you. That was very
15 helpful. I have no further questions.

16 MR. CARPENTER: I just have a few follow-up
17 questions for you, Mr. Mark Bean. If I understood you
18 correctly when you were talking about the commodity
19 versus the promotional matchbooks, first of all, in
20 terms of differences in physical characteristics did I
21 understand you to say that for the commodity
22 matchbooks you make they're predominantly the white
23 and the thank you matchbooks but you also make small
24 production runs of perhaps simple matchbooks with
25 maybe a name and an address or maybe a phone number of

1 a company on there?

2 MR. M. BEAN: It wouldn't be small
3 production runs. They'd be large production runs for
4 private labels, for like national grocery store
5 chains, or convenience store chains like a 7-11, or
6 giant supermarkets, or Kroger, or those kinds of
7 things. They're still very large runs, but we produce
8 them to order for that customer.

9 MR. CARPENTER: I see. So they are produced
10 to order whereas the plain white and the thank you
11 matchbooks are produced for inventory generally?

12 MR. M. BEAN: Yes. They're a generic
13 inventory item that we ship to a spectrum of
14 customers.

15 MR. CARPENTER: Okay. Now, in terms of the
16 degree of customization, the large production runs
17 that you make for particular retailers or whatever and
18 you produce those on a customized basis, how do those
19 differ from what you're including in the promotional
20 or specialty items? Do they have less customization?

21 For example, what's the differences in
22 color, what are the differences, if you can speak in
23 general terms, in terms of customization, and do the
24 ones that you produce, the commodity matchbooks that
25 you produce for customers, are they always just 20

1 sticks whereas the specialty ones always have more
2 than 20 sticks? Can you help me by elaborating on
3 that?

4 MR. M. BEAN: Yes. The level of
5 customization that we offer is very, very limited.
6 It's 20 stick matchbooks, you get a standard color of
7 the stem of the match, you get a standard color of the
8 match head, and the printing requirements have to
9 accommodate our particular long run production
10 schedule and the method of assembly that we have.

11 Promotional matchbooks can be 20 stick but
12 they can also be 10, 15, 20, 30, 40 stick per book,
13 they can have different colors of match heads, you can
14 have up to 12 or 14 different colors of match heads,
15 different colors of the match stems, the covers can be
16 embossed, the covers can be different cover stocks
17 where you can have foil stocks, you can have very high
18 grades of even like fabric stocks for the covers, all
19 kinds of variations, and you can order as few as one
20 or two cases for your hotel, restaurant or bar.

21 With our matches, the minimum would be, I
22 mean, we really don't even deal with that, but no
23 customer would be ordering, you know, less than like
24 100 cases.

25 MR. CARPENTER: So if a customer comes to

1 you and they say I want to have some matchbooks
2 printed up with my name, or logo, or so on, what
3 choices do you give them? I mean, do you have like
4 say a book that they can look that they can choose
5 from colors or do you just have one color? Can they
6 print their logo on there or is it just a simple thing
7 like name, address, phone number?

8 MR. M. BEAN: We can print. We're extremely
9 good, proficient printers and we can print four color
10 process printing, we can do a very nice job, but the
11 first question we ask the customer is do you want a
12 truckload or, you know, how many millions of
13 matchbooks do you want? And that qualifies, that
14 eliminates most of that market right there because the
15 types of orders that we produce are designed for large
16 grocery store chains or, you know, national corporate
17 brands, things like that, very large volumes.

18 MR. CARPENTER: So would you say that the
19 size of a production run is the principal
20 differentiating factor between your degree of
21 customization and the customization that would be
22 offered for specialty matchbooks?

23 MR. M. BEAN: It's a very important
24 qualifier but it's all of the other things that I
25 mentioned in terms of the number of stems in the

1 match, the color of the match heads, the color of the
2 match stems, the stock that's used for the cover
3 itself, embossing, all of those kinds of variations we
4 don't offer.

5 MR. CARPENTER: I see. Okay. That's very
6 helpful. Thank you. Just one other quick question.
7 You mentioned that you had consolidated I believe
8 three plants down to one. I got the impression that
9 probably occurred before the period that we're
10 examining, before 2005, is that correct? Yes? Okay.
11 That's all my questions. Are there any other staff
12 questions?

13 MR. C. BEAN: Just to follow-up on that.

14 MR. CARPENTER: Please.

15 MR. C. BEAN: The last one that we closed
16 down would have been in 1997.

17 MR. CARPENTER: I see.

18 MR. C. BEAN: All of the other ones were
19 closed down prior to that.

20 MR. CARPENTER: Okay. Thank you very much
21 for your testimony and your responses to our
22 questions. Thank you for coming here today. We
23 really appreciate it. At this point you can go back
24 to your table and we'll ask Mr. George to come forward
25 for his testimony.

1 (Pause.)

2 MR. CARPENTER: Welcome back. Please
3 proceed.

4 MR. GEORGE: Thank you. The Petitioner has
5 argued that there is a material injury to the domestic
6 injury because of the exports primarily from Trevani
7 Company, which is the main exporter of Indian
8 matchbooks to the U.S. I would like to bring to your
9 kind attention the scenario of the matchbooks industry
10 in the U.S. which I believe is around \$13 million, the
11 total value.

12 If you look at the total export by the
13 Trevani Company, I have come to know that it is around
14 \$750,000 in a year. So compare it with the \$13
15 million market and the \$750,000.

16 If you come to the quantity of the products,
17 I believe that over 1.1 million matchbook boxes are
18 produced or used in the market of which the annual
19 supplied by Indian export is around 60,000 matchbooks
20 of the 1.1 million, so it is a very, very, very
21 insignificant quantity and value when it comes to
22 import of matchbooks from India to the U.S.

23 So to say that that is causing material
24 injury to the U.S. matchbooks industry is not correct
25 and appropriate. If you look at the total U.S.

1 matchbooks industry, you will see that around 95
2 percent of that matchbooks industry value is
3 controlled by one company, so this is the Petitioner's
4 company.

5 So by targeting a very small export from
6 India the purpose, as I understand, is to take
7 complete monopoly of the U.S. market on this industry.
8 A company which controls over 95 percent is
9 complaining that the injury is caused by export of
10 around one percent or even less. Even the last export
11 in the last couple of years, if you look at the
12 statistics given here, that there have been decline.

13 From 2005 to 2006, there was a decline, 2007
14 there was a decline, and even now the 2008 figures
15 have not closed the 2007 figures. So I would argue
16 that the purpose of this petition is using a very fair
17 mechanism of the antidumping case to use it as an
18 unfair trade practice to get the whole market and
19 revert control which would eventually affect the U.S.
20 consumer rather than, you know, by a complete monopoly
21 of the product.

22 So I understand from the presentation made
23 by the Petitioners that the other company which is
24 producing, the Bradley, they have a collaboration,
25 they have an agreement between the two.

1 That means there is total 100 percent
2 monopoly by one company which is trying to keep other
3 products entering the market, to determine the price,
4 and to blame it on that company that, you know, it's a
5 minuscule, negligible export as causing injury to the
6 domestic market is not correct. If you look at the
7 quantity of export from India by this company it is
8 coming around \$600,000 or \$700,000 a year compared to
9 the \$13 million which I have already mentioned.

10 So the operating profit, if you look at
11 this, something like \$60,000 or \$70,000 a year for a
12 company which is exporting that small amount. So it
13 is literally impossible for a company which is with
14 annual profits is around \$60,000 or \$70,000 to hire a
15 lawyer to law, legal firm, to consult a legal firm to
16 present their case in front of, you know, the
17 antidumping authority.

18 So I don't think that there is any
19 possibility of them appointing a lawyer or a legal
20 firm to fight the case because the profit that the
21 company has been able to make in the last couple of
22 years is very minimal.

23 I understand in the past that another
24 petitioner had tried to target this company earlier by
25 filing a complaint with the Safety Commission which in

1 2005, and in 2005 the Safety Commission has decided in
2 favor of the Trevani Company saying that their
3 products are qualified to be sold in the U.S. market.
4 That's what I understand.

5 This company, if you look at its history,
6 you will see that it is an ISO 9001 certified company
7 in India which is maintaining its standard.
8 Similarly, you know, I understand from the reliable
9 sources that there was some kind of a proposal from
10 Bradley, the other Petitioner, to have a joint venture
11 with Trevani, which it did not work out. So if you
12 look at that, yes, you know, these two companies which
13 is now collaborated and are working together are
14 targeting a small exporter from India and blaming it
15 on the material injury, which is not correct.

16 At many places in the petition, I have
17 noticed that, you know, the main purpose of
18 promotional matchbooks are shown or arguably claimed
19 as not igniting or not as a source of ignition, which
20 is not correct. Most of the people use it as
21 ignition. The other argument was that 95 percent of
22 commodity matchbooks are used for igniting cigarettes,
23 which, again, I don't think is correct because most of
24 the people buy it and keep it for emergency purposes
25 and in case of a power shortage or for other igniting

1 purposes.

2 So I went around to the market to buy, you
3 know, cigarettes the last couple of days and to try to
4 see what I get free. I was not offered any free
5 matchbooks. Instead what I was offered to buy a
6 lighter. So I don't think that argument stands. So
7 thank you.

8 MR. CARPENTER: Thank you very much, Mr.
9 George. We'll begin the staff questions with Ms.
10 Hand.

11 MS. HAND: Thank you very much. Can I ask
12 you what you know about the industry in India making
13 commodity matchbooks, if you know of any other
14 companies besides Trevani?

15 MR. GEORGE: There is not a major market in
16 India as far as I understand for commodity matchbooks,
17 but, you know, let me briefly mention about the Indian
18 match industry as far as I understand. In India, it
19 is match industry assets was a cottage industry.

20 What I mean is that it is a world industry.
21 India is a country of one billion people, so to say
22 that it has a large match industry, of course, it
23 needs a large match industry, but it is a cottage
24 industry, a small scale industry, mainly catering to
25 its domestic market. It is not the matchbooks

1 industry which is the main match industry in India.

2 To say that, you know, India has a really
3 aggressive match industry which is exporting its
4 matches to the rest of the world is not correct
5 because its main purpose, I understand, is domestic,
6 and second, it is not the matchbooks industry which is
7 the major Indian match industry. I can give you the
8 other information which you asked maybe again, you
9 know, try to get the information from Bradley and send
10 it to you.

11 MS. HAND: Yes. Well, it would be very
12 helpful if you could send me the information on say
13 that firm Hind or Standard Match. If you have any
14 information on their production or shipments to the
15 United States, that would be very helpful.

16 MR. GEORGE: I will do that.

17 MS. HAND: Also, I have one more question
18 for you. Can you give me any more details about the
19 joint venture proposal that happened, when it happened
20 between Bradley and Trevani, any kind of details at
21 all, that would be helpful.

22 MR. GEORGE: I will get it for you.

23 MS. HAND: Thank you. I don't have any
24 further questions.

25 MR. CARPENTER: Mr. Sultan?

1 MR. SULTAN: Thank you. Mr. George, in your
2 opening statement you questioned the way in which the
3 Petitioner has defined the domestic like product and
4 the domestic industry. Do you have a concrete
5 alternative proposal for how it should be defined?

6 MR. GEORGE: For defining the product?

7 MR. SULTAN: Yes.

8 MR. GEORGE: I can get back to you on that.

9 MR. SULTAN: Thank you. That's all I have.
10 Thanks.

11 MR. CARPENTER: Ms. Mic?

12 MS. MIC: No, thank you very much. Thank
13 you very much for your testimony. That's all that I
14 have.

15 MR. CARPENTER: Thank you. Mr. Boyland?

16 MR. BOYLAND: Thank you for your testimony.
17 I have no questions.

18 MR. CARPENTER: Okay. Mr. Johnson?

19 MR. JOHNSON: Thank you for your appearance.
20 I have no questions.

21 MR. CARPENTER: All right. I know Mr.
22 Deyman has a question or two.

23 MR. DEYMAN: George Deyman, Office of
24 Investigations. I just have one question. You
25 indicated that the domestic market in India for

1 commodity matchbooks is small. Why would that be? I
2 would think that since per capita income in India is
3 lower than, say, in the United States there would be a
4 lot of consumers in India I think who would appreciate
5 having a very low cost source to light cigarettes.
6 Why would it be that matchbooks are not widely
7 disseminated in India?

8 MR. GEORGE: Traditionally the Indian market
9 was for matchboxes, which is through the matchboxes,
10 which was a cottage industry. You will find in
11 several of the villages you would have a cottage
12 industry where matchboxes are produced at the rural
13 level. I think the matchbooks industry is a new
14 phenomenon, relatively new phenomenon, for the Indian
15 market and Indian consumers.

16 MR. DEYMAN: Thank you very much. I
17 appreciate your participation.

18 MR. GEORGE: Thank you.

19 MR. CARPENTER: Yes, thank you, Mr. George,
20 for coming here today. We appreciate your insights on
21 the Indian industry. At this point we'll take just a
22 brief recess of five to 10 minutes to allow parties to
23 prepare their closing statements, and we'll begin
24 those with the Petitioners.

25 (Whereupon, a short recess was taken.)

1 MR. CARPENTER: Okay, let's resume the
2 conference now, please. Mr. Gaston, welcome back.
3 Please proceed when you are ready.

4 MR. GASTON: Thank you. First of all, I
5 would like to thank all of you for your attention to
6 detail and your professionalism, and it's obvious to
7 us that everybody here has done his or her homework,
8 and we are pleased to see that people are delving into
9 the complexities of the case. I'd like to start out
10 with the conclusion that I believe, you know, the
11 legal standard here is whether there is a reasonable
12 indication of material injury to the domestic
13 industry, and I believe that that standard is far
14 exceeded in this case.

15 We have tremendous evidence of lost sales,
16 lost revenue, declining profitability and actually
17 lack of profitability. We have tremendous evidence of
18 plant closings, of layoffs, declines in employment,
19 and pretty much all of the indicators that the ITC
20 usually looks at. What I'd like to focus on briefly,
21 though, is the issue that seemed to most interest all
22 of you, which is the difference between commodity
23 matchbooks and promotional matchbooks, and I'd like to
24 say that we actually struggled with the proper
25 definition of promotional matchbooks and it's

1 something that is clear to anybody in the industry or
2 any customer who actually buys these products, but
3 it's sometimes difficult to explain.

4 Promotional matchbooks are also called not-
5 for-resale matchbooks, because the one clear,
6 consistent, 100% distinction that always allows you to
7 tell a commodity matchbook from a promotional
8 matchbook is that commodity matchbooks end up at
9 retail; promotional matchbooks do not. But there are
10 other differences, and I would like to recap them just
11 to, you know, have the record reflect it as cleanly as
12 possible.

13 There are different physical
14 characteristics. You heard Mr. Mark Bean talk fairly
15 extensively about how commodity matchbooks are always
16 sold in books of 20 matches, they always have a
17 standard match stem color, they always have a standard
18 match stem stock, they always have a standard match
19 head color. Now, they may be printed, they may not be
20 printed, and I think this is part of the source of the
21 confusion.

22 They can be printed with advertising, and in
23 fact, that was the origin of the matchbook back in the
24 1890s, as you heard Mr. Chris Bean describe. It was
25 discovered this was a wonderful medium for

1 advertising, and in the 20s and 30s it really took
2 off, and that does not make it into a promotional
3 matchbook because as long as it is general advertising
4 or national brand advertising, it's still a commodity
5 matchbook.

6 It has to be produced in tremendous
7 quantities, it has to be completely standardized, and
8 it will generally be distributed free with the
9 purchase of a pack of cigarettes, or sold at retail,
10 but it will always end up at a retail outlet.
11 Promotional matchbooks, on the other hand, carry what
12 is called specialty advertising. It might be
13 something that a bar, a grill, a hotel, orders so that
14 it has its name and number and address on it, so that
15 when you take that matchbook home from the restaurant,
16 from wherever you picked it up, you can think maybe
17 two weeks later, you know, I really loved that
18 restaurant, I'm going to make another reservation,
19 should I look it up, or what, and you might have that
20 matchbook lying around.

21 So you have the phone number, you have the
22 address, you can just quickly call them and make a
23 reservation. We don't say that such matchbooks can
24 never be used for ignition purposes. Obviously, they
25 can and do. But in general, they have, even from the

1 point of view of the consumer and end user, they have
2 a different place in their mind. They are a little
3 souvenir, they are something to help you remember or
4 to look up or reference.

5 They are not something that you are going to
6 start directly using with a particular pack of
7 cigarettes that you just bought at the 7-Eleven. And
8 so these different physical characteristics also, of
9 course, include a different number of matches, match
10 stems within the matchbook. The most common number of
11 match stems in a promotional matchbook is 30, not 20,
12 as you heard Mr. Mark Bean describe. It gives you
13 more room for the message and the information you want
14 on the match cover.

15 That doesn't mean that you can't ever have a
16 20 match stem promotional matchbook. You sometimes
17 can and do, but that depends on the individual order
18 and specification of the customer. If he wants a 20,
19 he can get a 20, but that's another big difference,
20 which is that you can customize these to your heart's
21 content if you are buying a promotional matchbook, and
22 of course, you end up paying a lot more, whereas a
23 commodity matchbook, you can put your printing on it,
24 but that's pretty much all you can do.

25 You can't customize. You can't change the

1 color of the match heads. You can't change the number
2 of the match stems. You can't really make the kinds
3 of changes that specialty advertisers require. And
4 although, as Mr. Mark Bean said, it is possible to use
5 some of the same equipment to manufacture both, it is
6 really not practical and it is hardly ever done. The
7 equipment that Bean has to make commodity matchbooks
8 is all in one line of 18 machines, whereas they have
9 one separate machine to make a 30 match stem
10 promotional matchbook, and they have to highly
11 customize that machine, and every time a new order
12 comes in they have to reset it and retool it and do
13 all sorts of things to it, which we will get into in
14 more detail in our brief, but the bottom line is, you
15 can't do that with the commodity matchbook machines,
16 because the time and effort it takes to retool any one
17 of those, it just becomes uneconomical, because you
18 have to use those machines for long runs. They are
19 set up, as Mr. Chris Bean said, to start running at
20 four in the morning and stop running at midnight, or
21 whatever time your production workers go home, and
22 that whole time they are just producing, whereas if
23 you get a small order for promotional matchbooks from
24 a restaurant or a hotel, there is no way you can set
25 it up that way.

1 Also, they always move in different channels
2 of trade, and this is invariably the case. Commodity
3 matchbooks are sold to distributors and they always
4 end up in some kind of retail or commodity
5 establishment. Promotional matchbooks are sold
6 directly, or sometimes through jobbers who work these
7 areas, and in that case they are sold indirectly, to
8 the hotel or casino or restaurant that ends up using
9 them.

10 They are not sold to distributors. They
11 don't go to retail. So they are very, very different
12 channels of trade. And you know, I think some of the
13 legitimate confusion comes, as I mentioned, from the
14 kind of general advertising that commodity matchbooks
15 can perform, and so on the one hand we have plain
16 whites, thank-you's, and maybe some printing, such as
17 the name of Giant or Safeway or the company that
18 resells them. Sure, fine, those are all still
19 commodity matchbooks even though they have printing.

20 In days gone by, you used to have very
21 elaborate printing on some of those matchbooks for
22 various cigarette brands, and that did not turn them
23 from commodity matchbooks into promotional matchbooks,
24 because they were general advertising for Camel,
25 Winston, whatever, but that was still a general,

1 nationwide advertising, still required huge runs,
2 still required complete standardization of the actual
3 matchbook, other than what is printed on the cover,
4 whereas promotional matchbooks often have the name of
5 the establishment, the phone number, the address, and
6 almost invariably have all sorts of embellishments,
7 complex requirements for embossing, often have
8 different numbers of match stems, different colors of
9 match heads, and it is not a simple distinction of
10 printing or no printing; it's a distinction of how
11 these matches are perceived, how they are sold, what
12 channels of trade they move in, and physical
13 characteristics, but you have to look at the whole
14 package. You cannot look at just one or the other.

15 Mr. George made a few points which I would
16 like to reserve, I'd just like to reserve to address
17 in our post-hearing brief. I would just like to say
18 that the numbers he is using, 13,000,000 for the total
19 industry, versus 6 or 700,000 for the Indian imports,
20 I don't think will be borne out by the actual figures
21 shown to the Commission, or revealed to the Commission
22 by the research that is being done.

23 Similarly, the idea that 95% of the market
24 is owned by D.D. Bean is certainly belied by the
25 statistics we have already seen, including the nearly

1 20% penetration of the U.S. market by the Indian
2 importers at their peak in, I believe it was 2006.
3 Other than that, I just wanted to thank you for your
4 attention, and I will conclude on that note.

5 MR. CARPENTER: Thank you, Mr. Gaston.

6 Mr. George?

7 MR. GEORGE: Thank you very much. I just
8 wanted to reiterate my points about the difference
9 between promotional and commodity matchbooks. As far
10 as I understand, the main factor that differentiates
11 these two is the content of the print on it, or the
12 quantity of the order, or the shipping processes, but
13 the end user is the same, the purpose of the product
14 is the same, so I don't see a difference between the
15 two.

16 So the product definition given in this
17 petition is, as far as I understand, is baseless, and
18 I would urge the authority to look into that. Second
19 is that the main determining factor about the petition
20 is whether it is making any material injury to the
21 actual industry. I have brought out the actual market
22 scenario where the purpose is to throw out a little
23 small portion of export from India so that a complete,
24 total monopoly of the market can be with one company,
25 which is not a fair trade practice as far as I

1 understand, especially given the fact that earlier
2 also the same export company was targeted by the
3 petitioner by filing a safety case against them.

4 So yesterday I went to the Museum of Natural
5 History where there is a big area given for the ocean,
6 the seas and oceans area which given, and I saw a huge
7 whale displayed there and small, small fishes around
8 that. To say that the small fishes are causing a
9 threat to the market, it's not the right way to do
10 proper fair trade practice, so I would like to
11 conclude that and urge the authority to look into the
12 fairness of the case and reject the petition. Thank
13 you.

14 MR. CARPENTER: Thank you, Mr. George, and
15 on behalf of the Commission and the staff, I want to
16 thank the witnesses who came here today, as well as
17 counsel, for helping us to gain a better understanding
18 of this product and the conditions of competition in
19 this industry. Before concluding, let me mention a
20 few dates to keep in mind. The deadline for the
21 submission of corrections to the transcript and for
22 briefs in the investigations is Thursday, November 20.

23 If briefs contain business proprietary
24 information, a public version is due on November 21.
25 The Commission has tentatively scheduled its vote on

1 the investigations for December 12 at 11 a.m. It will
2 report its determinations to the Secretary of Commerce
3 on December 15, and Commissioners' opinions will be
4 transmitted to Commerce on December 22. Thank you for
5 coming. This conference is adjourned.

6 (Whereupon, at 12:03 p.m., the preliminary
7 conference in the above-entitled matter was
8 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Commodity Matchbooks from India
INVESTIGATION NOS.: 701-TA-459 & 731_TA-1155
HEARING DATE: November 17, 2008
LOCATION: Washington, D.C.
NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: November 17, 2008

SIGNED: LaShonne Robinson
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Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

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I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

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Signature of Court Reporter