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In Support of the Imposition of Antidumping and  
Countervailing Duty Orders:

On behalf of The Domestic Industry:

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1 to refer in their remarks or answers to questions to  
2 business proprietary information. Please speak  
3 clearly into the microphone and state your name for  
4 the record for the benefit of the court reporter.

5 Finally, if you will be submitting documents  
6 that contain information you wish classified as  
7 business confidential your requests should comply with  
8 Commission Rule 201.6.

9 Before we begin the hearing this morning I  
10 do want to greet a delegation that has joined us from  
11 the Government of Ghana who will be with us for the  
12 hearing this morning and for meetings for the next two  
13 days. We welcome you all to the International Trade  
14 Commission.

15 Mr. Secretary, are there any preliminary  
16 matters?

17 MR. BISHOP: Madam Chairman, for the record  
18 I would note that all of today's witnesses have been  
19 sworn.

20 (Witnesses sworn.)

21 CHAIRMAN ARANOFF: Thank you. Let's begin  
22 with opening remarks.

23 MR. BISHOP: Opening remarks on behalf of  
24 Petitioners will be by Paul G. Gaston, Law Offices of  
25 Paul G. Gaston.

1                   MR. GASTON: Good morning, Honorable  
2 Commissioners, ladies and gentlemen. I am Paul  
3 Gaston, counsel to Petitioner D.D. Bean & Sons  
4 Company.

5                   In some ways I believe this is an atypical  
6 case and in some ways I believe it is a prototypical  
7 case for trade relief. It may be atypical in that the  
8 Petitioner is a very small company that comprises a  
9 very large part of a very small domestic industry.  
10 Petitioner cannot afford the kind of specialized trade  
11 counsel and specialized experts that many companies  
12 and domestic industries that come before the  
13 Commission often retain.

14                   As you will hear, however, D.D. Bean's size  
15 has not prevented it from fighting back vigorously in  
16 the marketplace when it was first confronted by the  
17 challenge of extremely low priced, less than fair  
18 value and subsidized imports, and D.D. Bean's size has  
19 also not prevented it from pursuing every avenue and  
20 every opportunity for trade relief offered by our laws  
21 that implement and are consistent with international  
22 trade agreements.

23                   And in this sense, the case before you today  
24 for trade relief is a prototypical one. The Commerce  
25 Department on Friday announced its final determination

1 that the subject imports of commodity matchbooks from  
2 India entered the United States at dumping margins  
3 determined to be about 66 percent. The Commerce  
4 Department also found the presence of counteravailable  
5 subsidies from the Indian Government supporting the  
6 Indian Respondents' export program at approximately 10  
7 percent of the products' entered value. The exact  
8 number was 9.88.

9 Our witnesses today will present testimony  
10 showing that the domestic industry making the product  
11 most like the import products, commodity matchbooks,  
12 has been materially injured by the imports and is  
13 threatened with further material injury. Christopher  
14 Bean, an owner, director and corporate counsel of D.D.  
15 Bean, will give you some of the historical background  
16 of the matchbook industry and of D.D. Bean's place in  
17 it.

18 Mark Bean, also an owner and director, is  
19 the president of the company's Match Division and will  
20 go into some detail explaining the distinctions that  
21 are well recognized in the marketplace between  
22 commodity matchbooks on the one hand and promotional  
23 matchbooks on the other. He will also explain how he  
24 first learned of the threat posed by the dumped and  
25 subsidized imported product and how D.D. Bean

1 immediately responded to that threat by slashing its  
2 own prices to unsustainably low levels in order not to  
3 lose any more customers and market share and basically  
4 in order to survive.

5 Julia Bartlett, a vice president of D.D.  
6 Bean and the second generation of her family to work  
7 there, will go into more detail about the indications  
8 of injury suffered by D.D. Bean because of the sales  
9 of less than fair value and subsidized commodity  
10 matchbooks imported from India, and, finally, we will  
11 also hear from Jonathan Bradley, president of the  
12 Atlas Match Company, the only other participant in the  
13 domestic commodity matchbook industry.

14 With that brief introduction, I defer to our  
15 first witness, Christopher Bean.

16 MR. C. BEAN: I assume my -- yes, it is on.  
17 As Paul indicated, I'm going to give a brief summary,  
18 a very brief summary of the history of our company,  
19 and I'd also like to stress to the Commission the  
20 enormous importance your decision will have on the  
21 future of our business because I think that we will  
22 not be able to continue if the dumping and subsidized  
23 commodity matchbooks from India continue to come into  
24 this country, so for us it's a make it or break it  
25 proposition.

1           Having said that, I will now go through my  
2 prepared statement, introducing myself. My name is  
3 Christopher Bean. I'm an owner, director and  
4 corporate counsel of D.D. Bean & Sons Company. I  
5 would like to start out by expressing our appreciation  
6 for the support and guidance of the staff at both the  
7 International Trade Commission and the Department of  
8 Commerce.

9           It has been well over a year since we first  
10 reached out to the government through the ITC to seek  
11 relief from the dumped and subsidized commodity  
12 matchbooks being imported from India. Whether or not  
13 the Commission ultimately finds in our favor, it has  
14 been a gratifying experience to have participated in  
15 the process.

16           We are a small business representing a small  
17 industry, and we do not have financial resources,  
18 particularly under the present circumstances, to hire  
19 specialized legal and economic experts. We had no  
20 choice but to do this work on our own.

21           However, we have witnessed the government  
22 fulfill its promise to protect domestic industries  
23 from unfair trade practices regardless of the size of  
24 the industry or its ability to hire such experts. We  
25 are grateful for the help provided by both the ITC and

1 the DOC staff, and regardless of the final outcome we  
2 are truly grateful for the way the system works.

3 D.D. Bean & Sons Company was founded 71  
4 years ago in 1938 by my grandfather and his two sons  
5 -- my father and my uncle -- and the company is still  
6 run by third generation members of the Bean family,  
7 namely my two brothers and I. Our company is still a  
8 leading employer in the small town of Jaffrey, New  
9 Hampshire, employing several generations of local  
10 workers.

11 As of June 30, the end of the interim period  
12 for 2009, the company employed 54 production workers,  
13 five administrative personnel and the four owner/  
14 directors of the company. Within that group of 63  
15 employees, the average length of service is 19 years.  
16 We have employees with between 40 years and 44 years  
17 of service. We have five employees with between 30  
18 years and 39 years of service and 25 employees with  
19 between 20 and 29 years of service. That means a full  
20 52 percent of our employees have been with the company  
21 for more than 20 years.

22 In addition, approximately 20 percent of our  
23 workers are multi-generational, including one fourth  
24 generation, four third generation and seven second  
25 generation employees, including one of our team

1 members here today, the young lady sitting beside me,  
2 Julia Bartlett. We are very proud of those numbers.

3           However, as I mentioned, D.D. Bean & Sons  
4 Company is not a large business and the industry on  
5 behalf of which we are seeking this trade relief, the  
6 domestic commodity matchbook industry, is certainly  
7 not a large industry. In fact, at this point in time  
8 our company is the only active producer in the  
9 business.

10           The only other producer, Bradley Industries,  
11 has recently ceased manufacturing commodity matchbooks  
12 due to the injury caused by the dumped and subsidized  
13 matchbooks imported from India. A representative of  
14 the Bradley Match Company, John Bradley, is also here  
15 today.

16           Unlike the present time, the American  
17 matchbook industry was once substantial, and it has a  
18 unique and important history. The industry began way  
19 back in 1892 when a Philadelphia patent attorney by  
20 the name of Joshua Pusey was granted a patent for what  
21 he called flexible matches. The patent was purchased  
22 by Diamond Match Company, the leading producer of  
23 wooden matches at that time.

24           Diamond soon recognized that matchbook  
25 covers were an ideal medium for targeted advertising,

1 and once the practice of giving away matchbooks for  
2 the purchase of tobacco products was established free  
3 matchbooks became an immediate success. Other  
4 companies, some with very familiar names such as Ohio  
5 Match -- that's the Ohio blue tip match -- Lion Match  
6 and Universal Match and Superior Match and many others  
7 soon entered the business, and paper matchbooks  
8 quickly became one of the most popular advertising  
9 mediums in the United States.

10 As manufacturing techniques improved, the  
11 matchbook industry continued to grow and commodity  
12 matchbooks also quickly became the most widely used  
13 ignition source in the United States. By the time the  
14 industry peaked in the early 1970s, there were 13  
15 independent companies with 18 different manufacturing  
16 locations producing more than 30 billion matchbooks  
17 annually. The phrase "Close Cover Before Striking"  
18 was reported to be the most printed phrase in the  
19 history of the printed word.

20 Unfortunately, it was another phrase that  
21 was introduced about the same time that would change  
22 the course of history for the commodity matchbook  
23 industry forever. That phrase was "Flick Your Bic."  
24 With the advent of the disposal butane lighters such  
25 as Bic and Cricket in the 1970s, commodity matchbooks

1 were rapidly replaced by the preferred ignition source  
2 for lighting tobacco products. Many of the matchbook  
3 producers started closing factories and going out of  
4 business.

5 Disposable lighters continued to gain market  
6 share from matches through the 1990s, finally reaching  
7 a saturation point where there were actually more  
8 lighters being imported into the United States than  
9 the total demand for lights based on the number of  
10 cigarettes sold. However, even then there continued  
11 to be a significant demand for commodity matchbooks as  
12 an inexpensive ignition source and an alternative or  
13 backup to lighters.

14 Our company succeeded because our business  
15 plan was to specialize in commodity matchbooks only,  
16 and as a result we kept our focus on being the most  
17 efficient and lowest cost producer. This focus on  
18 commodity matchbooks began very early in our company's  
19 history, in fact almost in the -- well, if not  
20 immediately in the very, very early '40s.

21 This specialization in commodity matchbook  
22 production sparked us to develop many innovations for  
23 more automated and higher output equipment. We have  
24 continued to refine and improve the efficiency of our  
25 equipment right up to the present time, giving us the

1 highest output machinery of any producer in the world,  
2 and our equipment is totally unique and it's all been  
3 developed within our own machine shops, or most of it  
4 except for parts off the shelf.

5 This competitive advantage enabled our  
6 company to ultimately emerge as the industry survivor  
7 in the United States. Even though in recent years the  
8 demand for commodity matchbooks has been impacted by  
9 reduced smoking rates, we have adjusted to the new  
10 realities of the market and learned how to adapt to  
11 declining sales. We remained a strong, healthy and  
12 profitable business until we were so severely impacted  
13 by the lost sales and depressed pricing caused by the  
14 dumped and subsidized import matchbooks from India.

15 We are very proud of our history as a third  
16 generation family business and as a successful  
17 American manufacturing company. For more than 71  
18 years we have continuously evolved and adapted to  
19 changing market conditions. We know how to compete.  
20 We know how to keep overheads low and how to tighten  
21 our belts in tough times. We know how to face  
22 challenges and overcome adversity, and even though our  
23 operations are diminished from earlier decades we  
24 think we have earned our current status as the  
25 surviving company in this industry.

1 I would like to close by emphasizing the  
2 point that we did not undertake this action before  
3 your Commission to seek import relief because we were  
4 unable to compete on a level playing field. Our  
5 history proves otherwise.

6 However, without relief from the devastating  
7 impact of the dumped and subsidized commodity  
8 matchbooks imported from India we would be unable to  
9 sustain the operating losses much longer and our  
10 company, as well as this great American industry, will  
11 almost certainly cease to exist. Thank you.

12 MR. M. BEAN: My name is Mark Bean, and I am  
13 also one of the family owners and directors of D.D.  
14 Bean & Sons Company. I'm also the president of the  
15 Match Division of the company.

16 In my remarks today I would like to address  
17 the issue of domestic like product, particularly as it  
18 relates to the distinction between commodity  
19 matchbooks and promotional matchbooks, and then speak  
20 to the matter of injury and the threat of injury that  
21 our company has experienced since the dumped and  
22 subsidized commodity matchbooks from India first  
23 entered our market.

24 When we first began the process of drafting  
25 the petition well over a year ago, we struggled, as we

1 were told most Petitioners do, with the language of  
2 the scope of the investigation and, accordingly, the  
3 definition of the domestic like industry. The  
4 challenge was to articulate an accurate definition of  
5 the product that was causing the injury in the context  
6 of how this industry actually works.

7 We came to understand the inherent challenge  
8 in defining any scope to be neither too broad nor too  
9 narrow, but we also realized we had a unique challenge  
10 because there would be a natural tendency for people  
11 unfamiliar with the industry to see all matches,  
12 whether paper matchbooks or wooden box matches, as one  
13 big category or, if not that, to at least see all  
14 matchbooks, whether commodity or promotional, as a  
15 single product.

16 Within our industry we are intimately  
17 familiar with these distinctions as they are the  
18 foundations of our individual business models, but we  
19 have a different focus when we think about them and we  
20 use different terminology to describe them. So we  
21 worked on trying to make a concept understandable  
22 right up to and even beyond the filing of the  
23 petition, and I think we eventually did a pretty good  
24 job getting it right.

25 Separating paper book matches from wooden

1 box matches or other types of matches or ignition  
2 devices such as lighters was not difficult at all.  
3 The physical characteristics and uses, channels of  
4 distribution, interchangeability, customer and  
5 producer perceptions, manufacturing facilities,  
6 production processes and pricing are all substantially  
7 different, and we have been able to document these  
8 differences in our petition, in our questionnaire  
9 responses and in our briefs quite extensively.

10 As I said, however, we realized that  
11 explaining the distinctions between the two different  
12 categories of paper matchbooks was not going to be as  
13 easy. There have been some changes to the descriptive  
14 language used in the draft petition, and we concede  
15 there are some gray areas on the fringes of the  
16 definitions, but the fundamental distinctions are very  
17 clear.

18 I believe that in our final questionnaire  
19 responses, in our prehearing brief and in our  
20 presentations today we make the case quite  
21 persuasively that commodity matchbooks and promotional  
22 matchbooks are very different products and do not  
23 comprise a single domestic like industry.

24 In the Commission's staff report there is a  
25 reference made to a study commissioned by the United

1 States Consumer Products Safety Commission in the  
2 development of their safety standard for matchbooks.  
3 This study, conducted by the Battelle Columbus  
4 Laboratories in 1975, comprised the most extensive  
5 analysis of the industry that has ever been done.

6 As the staff report points out, the study  
7 concluded that not all matchbooks are the same.  
8 Although they used slightly different terminology --  
9 special reproduction instead of promotional and resale  
10 rather than commodity -- the study drew a very sharp  
11 line between the two by concluding that:

12 "Matchbooks are divided into two basic  
13 categories, resale matchbooks and special reproduction  
14 matchbooks. Special reproduction matchbooks,  
15 characterized by their distinctive and unique cover  
16 designs, are purchased and distributed for promotional  
17 purposes by hotels, restaurants, financial  
18 institutions and other business enterprises and are  
19 given away free to users."

20 The point I want to make is not only that  
21 this study reached the same conclusion that we are  
22 asking the Commission to reach -- that promotional  
23 matchbooks and commodity matchbooks are not  
24 interchangeable, that there are differences in the  
25 production process and machinery used, that producers'

1 and purchasers' perceptions of commodity and  
2 promotional matchbooks differ and that there are  
3 significant differences in price between the two types  
4 of matchbooks -- but also that when this study was  
5 conducted it was at the peak of the U.S. matchbook  
6 industry in the 1970s.

7 At that time, as Chris pointed out, there  
8 were 13 independent companies operating 18 separate  
9 manufacturing facilities. This was a much larger  
10 industry to study with differing business models and a  
11 vast array of diverse equipment being utilized, but  
12 even then the Battelle Columbus Laboratories concluded  
13 that there were fundamental differences between resale  
14 matchbooks and special reproduction matchbooks that  
15 had to be taken into consideration in analyzing the  
16 impact of the proposed safety standard.

17 And when you look at the developments that  
18 have occurred in this industry since that time, it is  
19 important to note that no company who tried to produce  
20 both types of matchbooks on the same equipment is in  
21 business today. Equipment that was designed to  
22 produce promotional matchbooks was not efficient  
23 enough to compete for commodity business and equipment  
24 designed to produce commodity matchbooks is not  
25 flexible enough to accommodate the demands of the

1 promotional business.

2           This ability to look back in hindsight to  
3 see how events have unfolded strongly supports the  
4 point that despite the natural tendency to see the  
5 products as being similar they are not. The primary  
6 function of a commodity matchbook is for use as a  
7 portable ignition device, most often to light  
8 cigarettes.

9           Commodity matchbooks are for resale because  
10 they always enter retail channels -- meaning  
11 businesses that sell a general variety of commodity  
12 type merchandise such as convenience stores,  
13 supermarkets, dollar stores, drug stores and mass  
14 merchandisers -- where they may be resold or given  
15 away typically as part of the cigarette purchase  
16 transaction, like a straw with the purchase of a soda.

17           In contrast, the primary value of a  
18 promotional matchbook is as a promotional product, and  
19 their function as an ignition device is secondary.  
20 Promotional matchbooks are not for resale because they  
21 never enter into retail trade, are not intended for  
22 resale. They have no real channels of distribution  
23 other than by direct sale to the companies who use  
24 them exclusively for promotional purposes, typically  
25 bars, restaurants, hotels and casinos.

1                   While it may be true that after having  
2                   received either a commodity or a promotional matchbook  
3                   an end user could use either as an ignition device, it  
4                   certainly would not be true in any other sense. Even  
5                   if the end user was a smoker, I think we can be fairly  
6                   certain that no one would go into a bar, restaurant,  
7                   hotel or casino purely with the intention of obtaining  
8                   a matchbook or, for that matter, any other type of  
9                   ignition device.

10                   If a matchbook did happen to be obtained  
11                   while at one of those establishments, it would be  
12                   purely incidental to the primary purpose of purchasing  
13                   a drink, a meal, a hotel room or whatever, and it  
14                   would not be considered a part of that transaction.  
15                   The end user would be just as likely and in today's  
16                   environment of smoking bans in public places perhaps  
17                   far more likely to receive some other promotional item  
18                   such as a pen, a magnet, a note pad or even a note pad  
19                   inside of a matchbook instead of the matches.

20                   However, businesses that sell a general  
21                   variety of commodity type merchandise, such as  
22                   convenience stores, supermarkets, dollar stores, drug  
23                   stores and mass merchandisers, would be exactly where  
24                   one would go to purchase a pack of cigarettes and  
25                   expect to receive a free matchbook as part of that

1 transaction, again sort of like receiving a straw with  
2 the purchase of a soda. Or, if so inclined, the end  
3 user could expect to purchase a caddy of 50 matchbooks  
4 at one of these businesses, but certainly not at a  
5 restaurant.

6 Moreover, even if the end user was a smoker  
7 the promotional matchbook may never be used as an  
8 ignition device at all. It may be kept as a souvenir,  
9 added to a match cover collection or stored away as a  
10 reference for the phone number or address.

11 We can assume, on the other hand, that the  
12 end user of a commodity match is most likely a smoker  
13 since the matchbook was obtained with the purchase of  
14 cigarettes, and they would be very unlikely to keep a  
15 plain white matchbook or even one imprinted with a  
16 national store's logo for any purpose other than to  
17 light the cigarettes which they purchased.

18 We are not aware of a demand for souvenirs  
19 related to a visit to these type of businesses. The  
20 covers would be too common and generic to have any  
21 value in a match cover collection, and they would not  
22 contain the phone number or address of a particular  
23 business establishment so there would be no reason to  
24 store it away for future reference.

25 Moreover, at the first level of trade,

1       namely the transaction between the producers and their  
2       direct customers, the gap between the two products  
3       widens even further. Since neither cigarettes nor  
4       matchbooks are available for sale at individual  
5       establishments such as restaurants and matchbooks  
6       would never be considered an integral part of the meal  
7       purchasing transaction, the decision to purchase  
8       promotional matchbooks would have to be weighed  
9       against purchasing a myriad of other advertising  
10      specialty products, including those mentioned above.

11                If the purchaser were to be convinced  
12      matchbooks were the way to go, he or she would have to  
13      make a lot of decisions based on what image they  
14      wanted the promotional matchbooks to convey. How many  
15      stems should the matchbook have? They could choose 20  
16      stems per book, but might opt for 30 so there would be  
17      a larger cover to provide more space for the printing.  
18      They could even choose a more novel size like a book  
19      with only 10 stems or perhaps one with 40.

20                What color do they want the match stems to  
21      be? How about the colors of the match heads? Are  
22      colors available that match their logo? Do they want  
23      a special grade of cover stock such as foil? How  
24      about hot stamping or embossing on the cover? They  
25      could even order matchbooks die cut to be in the shape

1 of almost anything they might imagine. All of these  
2 options are part of the spectrum of choices available  
3 from promotional matchbook producers.

4 The decision for the purchaser of commodity  
5 matchbooks would be infinitely less complex. Since  
6 stores such as convenience stores, supermarkets and  
7 mass merchandisers are in the business of selling both  
8 cigarette and matchbooks and matchbooks are frequently  
9 considered to be an integral part of the cigarette  
10 buying transaction, the purchasers of these matchbooks  
11 would be someone who buys other types of similar  
12 merchandise.

13 Although these buyers might consider the use  
14 of a promotional matchbook and thus have the range of  
15 choices as mentioned above, that would not make  
16 economic sense because retail stores that sell matches  
17 and other general merchandise are primarily motivated  
18 by price. They want a product that can be sold at a  
19 competitive price and/or is priced reasonably enough  
20 that they can afford to give it away for free to their  
21 cigarette purchasing customers.

22 They would have one decision to make, and  
23 that is whether to have the matchbooks printed with a  
24 private label or national brand at a relatively small  
25 up-charge or to simply offer the lowest price product,

1 the plain white commodity matchbook. If they chose  
2 private label, they would find out that they would  
3 have the same kind of choices that Henry Ford used to  
4 offer on the Model Ts. You can have any color you  
5 want, as long as it's black.

6            Seriously, they could have their corporate  
7 image printed on the matchbook covers exceedingly  
8 well, but beyond that there would be only one option  
9 for the number of match stems per book -- 20 -- and no  
10 option to choose the color of the match stems -- we  
11 offer natural brown -- no choice for the match head --  
12 you get red -- no choices in the type of cover stock  
13 used, no options for hot stamping or embossing, no  
14 individualizing segments of the order to include  
15 separate phone numbers or addresses and certainly no  
16 die cut customized matchbook shapes.

17            For accepting this standardized commodity  
18 version, the buyer would be able to purchase their  
19 matchbooks at a small fraction of the price of the  
20 highly customized promotional matchbooks, and that  
21 pricing difference makes perfect sense.

22            These types of retail stores are in the  
23 business of selling competitively priced matchbooks,  
24 and they also frequently give matchbooks away as part  
25 of the cigarette purchase transaction. Beyond basic

1 minimum expectations regarding functionality and  
2 perhaps the quality of the printing, if any, their  
3 only real consideration is price.

4 Individual establishments such as  
5 restaurants, hotels and casinos, on the other hand,  
6 are in the business of selling meals, rooms and  
7 entertainment, not matches or cigarettes. Their  
8 purchasing expectations are far more complex and  
9 demanding. They would consider many other promotional  
10 products as interchangeable with matchbooks, and price  
11 would be a secondary consideration to achieve the  
12 desired marketing impact of any promotional program.

13 From the producers' perspective, the two  
14 types of orders are also completely different, each  
15 requiring a distinct business model and different  
16 types of specialized equipment. First, the producer  
17 of the promotional matchbook would have a great deal  
18 of direct communication with the customer concerning  
19 the wide range of options available and would have  
20 developed a specialized method of processing  
21 customized orders to be able to develop artwork and  
22 prepress production as efficiently as possible.

23 They would need to have separate assembly  
24 machines for the different number of stems in the  
25 matchbooks in order to meet the potential demands of

1 the client. They would use sheet-fed printing presses  
2 so that smaller quantities can be run more  
3 economically. They would have the equipment necessary  
4 to offer hot stamping, embossing or perhaps die  
5 cutting the shape of the book itself.

6 They would have a production system based on  
7 using a wide selection of component materials --  
8 different colors of match stems, different colored  
9 match heads and different types of cover stock. They  
10 would produce orders in small quantities to ship in  
11 small quantities directly to the individual  
12 establishment.

13 The producer of the commodity matchbook  
14 would not require much communication with the customer  
15 beyond price negotiation. They would require only 20  
16 stick assembly machines, and they would want to  
17 maximize the efficiency and output capacity of those  
18 machines above all else. They would use roll fed,  
19 high speed printing equipment that requires higher  
20 prepress and setup costs, but minimizes these expenses  
21 in direct proportion to the volume of the order.

22 They would have a production system based on  
23 a continuous flow of standardized components to reduce  
24 material handling and permit purchasing advantages.  
25 They would produce orders in large quantities to ship

1 by the pallet load or even truckload to centralized  
2 warehouses or regional distribution centers.

3 Therefore, promotional matchbooks are  
4 clearly not interchangeable with commodity matchbooks.  
5 They differ in their physical characteristics and  
6 uses. They do not share similar channels of  
7 distribution. The customer and producer perceptions  
8 at both the first and second levels of trade are  
9 fundamentally different.

10 The manufacturing facilities and production  
11 processes are substantially different and, perhaps  
12 most notable of all, the prices of the two products  
13 are on completely different ends of the spectrum.  
14 Commodity matchbooks are a different product than all  
15 other types of matches, including promotional  
16 matchbooks, and they clearly constitute a single  
17 domestic like product.

18 Having established the domestic like  
19 product, the relevant issue before the Commission is  
20 the injury and the threat of injury to the domestic  
21 like industry.

22 It is the domestic commodity matchbook  
23 industry that is vulnerable, as many commodity  
24 products are, to predatory attacks by a foreign  
25 producer such as Triveni, who benefits from unfair

1 subsidies and whose business plan is to sell at less  
2 than fair value to drive the domestic producers out of  
3 business. The injury to the domestic industry has  
4 been substantial, and the threat of continued injury  
5 is real and present.

6 D.D. Bean first became acquainted with  
7 Triveni Safety Matches back in October of 2003 through  
8 a letter sent by Mr. Surendra Sharma to my attention  
9 in which Mr. Sharma introduced Triveni Safety Matches  
10 as a potential offshore supplier to us and made claims  
11 about their substantial production capacity. In this  
12 letter, Mr. Sharma very respectfully offered to supply  
13 us with their product and stressed his desire to be  
14 supportive to our existing business rather than enter  
15 the market independently and become our competitor.

16 Despite the cooperative tone of the letter,  
17 however, it was quite clear to me that this offer was  
18 a thinly veiled threat. Either we would buy all or  
19 virtually all their stated capacity, which represented  
20 a huge percentage of the total commodity matchbook  
21 market even at that time, at a very high price or they  
22 would begin selling our customers at a very low price  
23 and we would lose all of our business.

24 We engaged with them very briefly to try to  
25 understand more about their intentions, but the

1 communications soon ended and the assault began. We  
2 started to get increasing reports from customers about  
3 plain white matches from India being initially offered  
4 at prices around one-third than our established price  
5 list, and they rapidly dropped to about half of our  
6 price list.

7 Sometimes we learned of these offers before  
8 the fact and we were given a chance to meet the  
9 pricing, and sometimes we learned of it after the  
10 matches had been purchased. In either event, the  
11 process of price deterioration quickly accelerated.

12 As if often the case with price sensitive  
13 commodity products, the first distributor in any given  
14 market who had purchased matches at a lower price,  
15 whether our domestic product or the imports, would  
16 begin to sell those matches at a lower price to their  
17 customers. This would set off a chain reaction with  
18 all the other distributors in that market who demanded  
19 a lower price to stay competitive with the first  
20 distributor.

21 We were truly surprised that Triveni was  
22 able to sell at the prices that were being offered at  
23 the time. Although we did not know what the overall  
24 raw material costs in India might be, we were aware  
25 that one of the principal raw material components, the

1 paper board used to manufacture the match stems, could  
2 only be purchased in the United States.

3 Triveni had to be paying no less than our  
4 price for the same material and would have the  
5 additional expense of the transportation to India. We  
6 figured this would balance out any other advantages in  
7 raw materials they might have and that their cost of  
8 materials should be at least equivalent to ours. Of  
9 course, we knew India has a very low cost of labor,  
10 but we believed our equipment, which was much more  
11 efficient than theirs, and we thought our high output  
12 could offset at least part of their labor advantage.

13 We had been challenged before. In fact, our  
14 company's success from its inception has been built  
15 upon the philosophy of doing whatever is necessary to  
16 meet and beat the competition. As a fledgling startup  
17 during the Great Depression, we took on the giants of  
18 the industry and simply would not be undersold. We  
19 innovated and developed more efficient equipment. We  
20 found ways to buy less expensive materials. We  
21 tightened our belts and made do.

22 This philosophy enabled us to become the  
23 survivors in our industry. Only a few years earlier  
24 we had fended off competition from Mexican imports,  
25 and we felt we could meet this challenge from India as

1 well. Even though, as I said, we were surprised at  
2 the level of pricing they were offering, we thought  
3 they would not be able to sustain those levels, and if  
4 we just continued to prevent them from making any  
5 inroads here they would shift their focus to more  
6 profitable endeavors. We thought wrong.

7           The next thing we knew we were being  
8 undersold in the greater New York City area, the most  
9 important market for matches in the entire country.  
10 We were well aware of certain distributors in this  
11 area who were quite capable of bringing in container  
12 loads of product and redistributing them throughout  
13 not only New York, but the entire Northeast and  
14 Mid-Atlantic regions. In fact, one distributor in  
15 particular had national reach.

16           We knew we had to stop Triveni from selling  
17 this distributor or it would be just a matter of time  
18 before they captured the entire market. This  
19 distributor was already a long-term customer of ours,  
20 and we approached him to determine what it would take  
21 to win back his business. We told him we were  
22 prepared to offer a 33 percent discount off of our  
23 price list that we had been offering in other markets,  
24 but were told that he was paying a price that was just  
25 one-half of our existing lowest price. We were

1       stunned.

2                   On the one hand, we knew if we walked away  
3       from this customer it would only be a matter of time  
4       before we would lose so much volume that we could no  
5       longer sustain a viable operation. On the other hand,  
6       we knew that this price was below our direct cost. In  
7       other words, I'm not talking about a reduction in  
8       operating profits. I'm talking about a price that  
9       would make no contribution to overhead or SG&A  
10      expenses at all.

11                   There was no question that this was a price  
12      that would create huge operating losses, but  
13      ultimately we had no choice. Our only hope was to  
14      meet the price and then do whatever we could to try to  
15      survive. If we didn't, we would be out of business  
16      anyway.

17                   So we did what we could. We cut all  
18      expenses within our control. We reduced labor costs  
19      by dramatically reducing the total workforce. Many  
20      positions were eliminated, increasing the workloads  
21      for remaining workers while at the same time freezing  
22      wages and in many instances drastically reducing  
23      salaries.

24                   We began operating in an unsustainable  
25      skeleton crew environment, giving up many skilled and

1 contributing workers just to survive. We cut and  
2 eliminated employee benefits. We shifted many  
3 maintenance positions to actual production and  
4 deferred all nonessential machinery repairs. We  
5 eliminated capital investments and canceled the  
6 development of all new projects.

7 We started pressuring existing vendors for  
8 lower prices and began searching the globe for new  
9 sources of cheap raw materials, even at the expense of  
10 service and quality, a decision that has brought us to  
11 the brink of being out of stock on certain materials  
12 on more than one occasion.

13 We substantially reduced our purchases under  
14 our long-term supply contract with the only other  
15 domestic producer of commodity matchbooks, Bradley  
16 Industries, because we could not absorb the additional  
17 loss of production volume and we could no longer  
18 afford the purchase price of their matches.

19 This action ultimately brought about the  
20 dramatic decision on the part of Bradley, also a  
21 multi-generational family business and a highly  
22 efficient producer, to close their factory in  
23 Frankfort, Illinois, which had been built by the  
24 company's founder 40 years ago, forcing the  
25 termination of many long-term employees.

1                   Meanwhile, despite all these desperate  
2                   measures, D.D. Bean was forced to start selling off  
3                   the assets of the business just to fund our operating  
4                   losses. In the 71, year history of the company, we  
5                   had never been pushed to close to the breaking point.  
6                   We lived day to day wondering how long we could  
7                   survive.

8                   But one question remained: How was Triveni  
9                   doing it? How could they continue to sell at these  
10                  prices? We began to do some research on the Indian  
11                  match industry, and it became clear that matches are  
12                  one of India's most protected and heavily subsidized  
13                  industries. In the past two decades, Indian match  
14                  producers have leveraged this governmental support  
15                  into becoming the dominant factor in the global supply  
16                  of matches.

17                  The production of matches in India is  
18                  identified as a major industry cluster in the region  
19                  of Sivakasi where most of the leading manufacturers  
20                  are located. The Indian match industry employs tens  
21                  of thousands of workers and is controlled by an  
22                  interconnected group of family businesses known as the  
23                  Match Kings of India.

24                  These so-called Match Kings have benefitted  
25                  from the policies of the Indian Government designed to

1 encourage both high employment in the domestic sector,  
2 as well as the expansion of exports to build markets  
3 overseas.

4 India has enacted varying rates of  
5 manufacturing taxes depending on the means of  
6 production. Lower tax rates support the handmade  
7 product from the so-called cottage sectors which  
8 supply the domestic market, while incentives are  
9 offered to more mechanized producers to become export  
10 only suppliers to international markets.

11 As export only facilities, these firms enjoy  
12 many advantages which are specifically designed to  
13 encourage selling at less than fair value pricing to  
14 capture international markets and then recovering  
15 offsetting benefits from the government

16 Indian match exporters' principal strategy  
17 is to expand into all potential markets around the  
18 world, selling at government subsidized and less than  
19 fair value pricing as necessary, forcing local  
20 producers out of business and then enjoying the  
21 benefits of monopoly. The pattern in our case is  
22 completely consistent with this strategy. Although  
23 Triveni is located in Mumbai, as opposed to Sivakasi  
24 where the industry cluster is located, they are an  
25 export only unit and are clearly tied into the subsidy

1 programs available to them.

2 Since there is no domestic market in India  
3 for commodity matchbooks, Triveni 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. Access  
7 to favorable financing terms and relief from certain  
8 taxes and duties enabled them to purchase automated  
9 equipment from a Japanese machinery supplier and to  
10 buy raw materials, including the stem stock paper  
11 imported from the United States.

12 Right from the beginning they targeted a  
13 huge percentage of the domestic commodity matchbook  
14 market and were determined to get that market through  
15 any means at their disposal. When their attempt to  
16 basically threaten us into a totally unfair supply  
17 agreement with them failed, they simply used their  
18 subsidies and willingness to sell at less than fair  
19 value pricing to force us out of business.

20 If not for the favorable preliminary  
21 determination of injury by the Commission, which led  
22 to the Department of Commerce investigation and  
23 ultimately to the imposition of the preliminary  
24 tariffs, they would have almost certainly succeeded.

25 In conclusion, D.D. Bean & Sons Company is a

1 multi-generational, family owned company that has  
2 mastered, with the help of our dedicated employees,  
3 the efficiencies of our business, and we have earned  
4 our position as the leader in this industry. However,  
5 we sincerely need our government's help if our  
6 business and this industry are to continue to survive.

7           The issue at hand is the unfair and  
8 predatory trade on the part of this Indian matchbook  
9 producer, Triveni Safety Matches, which the  
10 competitive strengths of the domestic producers cannot  
11 overcome. That is why we were compelled to take this  
12 action, and that is the reason we seek this relief.

13           Despite our attempts to deter the imports in  
14 the marketplace and notwithstanding all the efforts we  
15 have made to reduce our cost, it has been to little or  
16 no avail. The battle is stacked against us, and these  
17 dumped and subsidized imports cannot be beaten back  
18 with any of the weapons of fair trade. The only  
19 relief we have experienced in five years has been the  
20 imposition of the preliminary tariffs.

21           If that protection were to be removed, we  
22 have every reason to believe that both the capacity  
23 and the will for Triveni to resume its assault on our  
24 market would remain intact. If that protection were  
25 to be removed, we do not know how much longer we would

1 be able to hold out against them.

2 On behalf of our company and all the  
3 employees who comprise this industry, we respectfully  
4 request that the Commission reach a final  
5 determination that U.S. industry, the American  
6 commodity matchbook industry, has been materially  
7 injured and is threatened with material injury by  
8 reason of dumped and subsidized imports of commodity  
9 matchbooks from India. Thank you.

10 MS.BARTLETT: My name is Julia Bartlett, and  
11 I have worked for D.D. Bean 21 years now, and it's  
12 true, I am a second generation matchmaker. My job  
13 title is Vice President of Fulfillment Management, but  
14 like so many of our employees, I am frequently asked  
15 to perform tasks well outside my job description.  
16 This certainly creates a stimulating but challenging  
17 work environment. I wanted to share that with you  
18 because it helps to explain why I'm part of this team  
19 and why I'm here presenting information about the  
20 injury we have sustained because of the dumped and  
21 subsidized matchbooks from India.

22 I have read the staff report, the public  
23 version dated October 2, 2009. Although the  
24 proprietary information has been excluded, the report  
25 did help me to understand the types of injury

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1 indications you would be considering when making your  
2 determination and ultimately awarding trade relief.

3 What I want to cover in my statement is  
4 evidence of injury we have sustained by reason of the  
5 dumped and subsidized imported matchbooks from India.  
6 Volumes of dumped and subsidized commodity matchbooks  
7 from India are significant. We began tracking import  
8 volumes in 2003, using an online subscription customs  
9 data source. In just three years, from 2003 to 2006,  
10 reported import volumes increased 22 times from 3,250  
11 cases in 2003 to an alarming 74,318 cases in 2006. It  
12 was during that year, 2006, that we started fighting  
13 back.

14 In 2003, we introduced price discounts and  
15 rollbacks because the volume of Indian imports were  
16 increasing at such a dramatic rate. It was in 2007  
17 that our aggressively pricing efforts impacting the  
18 volume of imports and we were effective in reversing  
19 the trend of increasing volumes because we continued  
20 to match the dumped prices.

21 In 2008 and into 2009, we kept fighting for  
22 customers and sales in the marketplace by lowering and  
23 holding prices. And then, in May 2009, subject  
24 imports ceased entirely because of the temporary  
25 dumping and subsidy orders.

1           We believe that if we had not dropped our  
2 prices to keep and win back marketshare the dramatic  
3 trend of increased volumes of dumped and subsidized  
4 imports would have continued, causing the domestic  
5 industry to rapidly lose sales and volume. This is a  
6 straightforward scenario where significant volumes of  
7 dumped imports greatly impacted the domestic industry  
8 and the only defense, albeit an unsustainable one, was  
9 to meet and beat the dumped pricing.

10           Because of the rapid run-up in import  
11 volumes as well as our 2003 communications directly  
12 with Triveni about their production volume  
13 capabilities, we believe dumped and subsidized  
14 commodity matchbooks imported from India have not only  
15 already caused material injury to the domestic  
16 industry, but also continued to represent a  
17 significant and very real threats to the domestic  
18 industry. Significant price underselling causes price  
19 depression and price suppression.

20           Large volumes of dumped and subsidized  
21 commodity matchbooks first targeted the biggest  
22 matchbook markets, the Northeast and Mid-Atlantic  
23 Regions. Customers were reporting very low prices in  
24 the market. This price underselling is now further  
25 supported by the prehearing staff report which also

1 indicates price underselling by an average of 16.4  
2 percent with no instances of overselling. In fact, we  
3 believe this reported underselling margin understates  
4 the actual degree of underselling because it reflects  
5 the difference between our already depressed and  
6 already suppressed pricing and the pricing of the  
7 imported product.

8 We needed to respond to the lower prices  
9 quoted our customers and we did respond. We lowered  
10 our prices in 2006 to avoid losing sales. In some  
11 instances, we were forced to cut our best price for a  
12 truckload of commodity matchbooks by 50 percent to  
13 make the sale. I believe the Commission has had the  
14 opportunity to verify many of these lost revenue  
15 claims through the investigation process.

16 For a small company like ours, losing  
17 approximately 2 million in revenue from price  
18 suppression is staggering and the impact on  
19 profitability is unsustainable. Price underselling by  
20 the dumped and subsidized imports has also forced us  
21 to hold prices without the opportunity to pass on  
22 increase in raw material and factor costs.

23 For example, in 2008, when energy costs was  
24 causing increases to factory costs, and increases to  
25 raw materials like paraffin, we could not react

1 appropriately and pass on a portion of the expense in  
2 our pricing. Furthermore, over the same period two of  
3 our key raw materials -- match stem and potassium  
4 chlorate -- increased in price by 46 and 112 percent,  
5 respectively. We haven't been able to pass on these  
6 increases because of the price oppression from the  
7 presence of dumped and subsidized matchbooks from  
8 India.

9 In some instance we tried raising prices,  
10 only to roll them back again to meet competing Indian  
11 prices for dumped matchbooks.

12 With increases to key raw materials at a  
13 time when many industries were passing on price  
14 increases, we were holding prices because of the  
15 dumped and subsidized matchbooks from India. The  
16 result has been a convergence of our net sales value  
17 and raw material costs. As a component of cost of  
18 good sold, we can isolate the raw material cost trend  
19 and see the unit cost increasing, and the margin  
20 between average net sales value and raw material unit  
21 cost decreasing.

22 Price suppression has a direct impact on the  
23 ratio because we're not able to pass on the raw  
24 material increases. Furthermore, the pricing problems  
25 are not limited to rollbacks or price suppression. We

1 have lost significant sales to dumped and subsidized  
2 commodity matchbooks imported from India. We have  
3 provided evidence of lost sales, and I believe the  
4 Commission has had the opportunity to verify much of  
5 the lost sales claim.

6 When given the opportunity to quote against  
7 the dumped matchbooks, we cut prices to get the order  
8 or keep the customer. Still, even with our deep  
9 discounts, we lost sales and we estimate that in  
10 addition to the 2 million in lost revenue we've lost  
11 approximately 1 million in lost sales.

12 Again, we believe the Commission has had the  
13 opportunity to verify the majority of these claims  
14 during this investigation process. We also believe  
15 the injuries from lost sales is underestimated because  
16 we have traced instances of imports from India to our  
17 customers where we were not even contacted for a  
18 competing quote. The impact on us of this price  
19 depression and price suppression has significantly  
20 reduced our total revenue and also the average net  
21 sales value for a case of commodity matchbooks. The  
22 loss of revenue has contributed to operating losses  
23 and marginal profitability throughout the period.

24 Domestic industry and operations are  
25 materially injured by reason of dumped and subsidized

1 matchbooks from India. Production capacity and  
2 employment are negatively impacted. The impact on  
3 operations has been severe and pervasive. There is  
4 not one aspect of our business that hasn't been harmed  
5 by the dumped matchbooks.

6           Production volume fell causing a 10 percent  
7 decline in utilization in 2007. Because of our  
8 pricing response meeting the less than fair value  
9 price, the lost sales volumes began to level off and  
10 we held capacity at this reduced level into 2009.  
11 Now, since the preliminary order was put in place last  
12 spring, our interim 2009 production is up and capacity  
13 utilization is rebounding.

14           We have laid off workers and left empty  
15 positions unfilled. Since 2003, our production  
16 workforce has been reduced by 20 percent. This is a  
17 significant reduction and we cannot continue to  
18 operate at these staffing levels because the reduction  
19 is not an indication of better efficiency but rather a  
20 practice of stealing from Peter to pay Paul. We are  
21 asking production workers and administrative workers  
22 too, like me, to take on more work, work outside their  
23 job descriptions.

24           Other important issues like safety, quality,  
25 and maintenance are just not getting the attention

1 they deserve, or only being addressed when a problem  
2 arises. The impact of lost volume on production  
3 capacity and workers is injuring the industry and the  
4 workers too. Sales volume and sales revenue are  
5 negatively impacted.

6 Because of the significant import volumes,  
7 our U.S. shipments declined in 2007. The sales volume  
8 decline came with the corresponding decline in  
9 revenue, further influenced by a decline in average  
10 net sales value per case. So, in 2007 and 2008, we  
11 saw declines in volume over 2006, and declines in  
12 revenue caused by dumped imports, but the decline was  
13 sharpest in revenue because of the price underselling  
14 which caused repeated and widespread incidents of  
15 price depression and price suppression.

16 However, the preliminary order was issued  
17 last spring and we began to see some relief from the  
18 impact of dumped imports. For the interim 2009  
19 period, we have been increasing some of our depressed  
20 and suppressed prices, and the result has been an  
21 increase in average net sales value over 2008. The  
22 preliminary order has allowed us to begin pricing our  
23 product more fairly, to reverse the decreasing and  
24 depressed trend on our gross profits, and work towards  
25 earning a reasonable operating profit again for our

1 product.

2 This is compelling evidence of injury and  
3 the importance of trade relief because the impact of  
4 the preliminary order has already positively  
5 influenced our average net sales value.

6 Profitability has been negatively impacted.  
7 Profitability has been clearly impacted by the loss of  
8 volume and the loss of revenue by reason of dumped and  
9 subsidized imports. Our gross profit declined sharply  
10 in 2007, after we rolled out aggressive price cuts to  
11 fight the dumped pricing from India. The contribution  
12 from gross profits didn't cover our SG&A expense that  
13 year, and we suffered a significant operating loss.

14 We knew we couldn't repeat that in 2008.  
15 However, we were stuck in a difficult situation  
16 because we couldn't raise prices to boost revenue  
17 because of the dumped imports, and we didn't have any  
18 control over our raw material and factory costs which  
19 were climbing in 2008. So we tried to squeeze our  
20 direct labor to boost gross profitability in 2008. By  
21 asking all of our workers to do more we were able to  
22 cut positions and defer other work indefinitely.  
23 Because of these changes we lost some good workers,  
24 but we stabilized the declining gross profit trend in  
25 2008. Had it not been for these efforts the continued

1 decline in revenue and average net sales value would  
2 have resulted in another drop in gross profit and  
3 ultimately an operating loss.

4 All along throughout this period we have  
5 been making difficult decisions just to keep in  
6 business, but these practices are not sustainable and  
7 without trade relief we won't be able to hold out much  
8 longer. Mortgaging our future.

9 As I said, all aspects of our business has  
10 felt the impact of the dumped and subsidized commodity  
11 matchbooks from India. We have put important projects  
12 on the shelf, and we have reinvested very little back  
13 into the business because we don't have the cash or  
14 the profit to support these expenditures.

15 The last three years we have only replaced  
16 equipment whenever it was essential to daily  
17 operations. We have overlooked many important  
18 maintenance rebuild projects which will undoubtedly  
19 catch up to us very soon. Our decades of  
20 manufacturing success have taught us the right way to  
21 maintain and reinvest in our equipment, and we know  
22 that we are not fulfilling that obligation right now  
23 primarily because of cash flow impacted by  
24 profitability which has been hurt by dumped and  
25 subsidized commodity matchbooks from India.

1                   Conclusions: We need trade relief to  
2 reverse the financial trends we have been struggling  
3 with, especially from price depression and price  
4 suppression because of dumped imports. It is really  
5 no surprise that our operations are so drastically  
6 injured at these pricing levels because the dumping  
7 margin is so large -- 66 percent -- how could we not  
8 be injured when that degree of dumping is occurring.  
9 Thank you.

10                   MR. BRADLEY: Good morning. My name is  
11 Jonathan Bradley. I'm President of Bradley Industries  
12 and Atlas Match. I am also an owner in a second  
13 generation family member operating the business.

14                   My father started our family match business  
15 the year I was born. We have grown, shrank, changed  
16 and survived as a producer of both promotional and  
17 commodity matchbooks for four decades. I grew up in  
18 the factory and around matches. We have made products  
19 for tens of thousands of different customers and for  
20 different events ranging from small weddings to  
21 presidential inaugurations. Our company is the only  
22 recent producer of all types of match products. We  
23 have made commodity product for the largest national  
24 chains and promotional matches for the smallest corner  
25 taverns.

1           Despite this broad reach we are still a tiny  
2 company in a tiny industry struggling to survive  
3 against low-cost global competition dumping product  
4 into the United States market. It is with this  
5 background in mind that I make my statement today.

6           Atlas Match strongly supports the Petitioner  
7 and believes that the imposition of antidumping and  
8 countervailing duties is necessary to save the two  
9 American companies that still remain in the domestic  
10 commodity matchbook industry. As a maker of both  
11 commodity and promotional matchbook, I am hopeful that  
12 this statement will clearly explain the uniqueness of  
13 the two items and the harm that was done to our  
14 company by the Indian products.

15           There is no question that promotional and  
16 commodity matchbooks are different products sold into  
17 different markets. This is true for several important  
18 reasons.

19           First, promotional matches are souvenir and  
20 commodity matches are used as a tool. Many Americans,  
21 both smokers and nonsmokers, have a collection of  
22 promotional matches at home to remind them of where  
23 they have been and where they would like to return.  
24 The same is not true of commodity matches which are  
25 typically used and then discarded.

1           Promotional matches become a souvenir  
2 because of their high level of customization.  
3 Commodity matches are by definition standardized, and  
4 thus not as interesting. Match count, head color,  
5 cover board, stem board, printing options and run  
6 length are all variable that are adjusted for each  
7 order in the creation of promotional matchbooks.

8           In contrast, commodity matches, like Mark  
9 has said, are 20 matches per book and the standard  
10 imprint for each long run.

11           The manufacturing processes of promotional  
12 and commodity matches are also unique. Speed,  
13 equipment, printing techniques, material and labor  
14 intensity are key differences. Those who have seen  
15 the high-speed roll-to-roll presses used to produce  
16 commodity matchbook and the slow sheephead presses  
17 used to customize promotional matches can attest to  
18 the obvious practical differences in producing the  
19 product.

20           The manufacturing differences mean that  
21 promotional matches are much more expensive to produce  
22 and must be priced much higher than commodity  
23 matchbooks. A typical 20-like case of promotional  
24 matches sells for almost four times the case price for  
25 commodity matchbooks. High-end, highly customized

1 promotional product can be sold for 10 or 20 times the  
2 typical commodity case price.

3           Along with production differences, given the  
4 physical differences between commodity and promotional  
5 product, buyers and distributors perceive them as  
6 different. When there is no customization or  
7 promotional messages, buyers see a tool rather than a  
8 keepsake.

9           Furthermore, promotional matches and  
10 commodity matches are sold and move in completely  
11 different channels of distribution. Promotional  
12 matches are shipped one case at a time via UPS. They  
13 often wind up being distributed in a bowl, one no-  
14 charge matchbook at a time at a restaurant hostess  
15 station or by a friendly bartender. Commodity matches  
16 move by the pallet and are distributed at retail.

17           Lastly, commodity match standardization  
18 cannot replace the marketing function of promotional  
19 matches. Promotional matches invite you to call,  
20 visit, or use a service, at the very least they invite  
21 you to remember, while commodity matches only light  
22 fires. The products are not interchangeable.

23           Clearly, there are substantial differences  
24 between promotional and commodity matchbook products.  
25 Recognizing that commodity matchbooks are their own

1 unique market one can understand that it's easy to  
2 become a price leader in the commodity match business  
3 given that there is little or no differentiation.  
4 Meeting minimum expected product characteristics is  
5 not difficult. Couple this with the fact that the  
6 margins for distributors and reseller are typically  
7 very small, it is simple for a manufacturer to move  
8 product at rock bottom prices. This is especially  
9 true when prices are subsidized and sold in some way.

10 The low-cost Indian manufacturer commodity  
11 matchbooks rapidly captured market share and  
12 threatened to take over even more business before the  
13 U.S. producers responded with aggressive pricing of  
14 their own. These price reductions were unsustainable  
15 and unprofitable. In the end price suppression, lost  
16 sales and lost revenue left our company injured. This  
17 injury contributed significantly to our decision to  
18 close our Frankfurt, Illinois, factory, and severely  
19 curtailed commodity matchbook production in our  
20 remaining facility.

21 Closing our original home of our company  
22 built by my father was difficult. Good jobs were  
23 lost, long-time employees were left with no work, and  
24 potential income was sent to India rather than kept in  
25 the United States.

1           MR. GASTON: Could we beg the indulgence of  
2 the Commission for another two minutes so Mr. Bradley  
3 can finish?

4           CHAIRMAN ARANOFF: Go right ahead.

5           MR. GASTON: Thank you.

6           MR. BRADLEY: Thank you very much.

7           As a producer of commodity matchbooks, it  
8 was almost driven out of the business by low-cost  
9 product from India. I have no doubt these imports are  
10 and were a substantial cause of material injury to the  
11 surviving U.S. manufacturers. Though we currently  
12 have no orders, are factory is still ready to produce  
13 commodity products. To do so profitably, however,  
14 challenges remain. Just in the last two weeks we  
15 quoted a customer that has been purchasing large  
16 quantities of blank matchbooks from India.  
17 Unfortunately, this customer was accustomed to buying  
18 product at \$15.50 per case delivered to their  
19 warehouse, so not just for the product but including  
20 freight. When we quoted a price that enabled us to  
21 make a reasonable profit, the customer immediately  
22 discounted our offer as out of line with their  
23 perception of the market. They are used to paying a  
24 fraction of what we can sell profitably for and it  
25 will take time for customers like this one to consider

1 us again as a reasonably priced supplier.

2 Despite the difficulties in the market, I am  
3 hopeful that our company can once again compete with  
4 all fair competitors. U.S. manufacturers can succeed  
5 even when faced with global competition provided the  
6 playing field is level.

7 Thank you very much for your time. I  
8 appreciate your attention.

9 CHAIRMAN ARANOFF: We want to thank all the  
10 members of the panel, and thank you for your testimony  
11 this morning. We really appreciate you taking time  
12 away from your businesses to come and answer our  
13 questions. Even though we received a lot of data from  
14 you, there is just no substitute for being able to  
15 personally ask questions and follow up on the answer.

16 I'm going to be starting the questioning  
17 this morning, and I wanted to start with one question  
18 on the like product issue. Both companies, Atlas and  
19 D.D. Bean, provided estimates in response to our  
20 questionnaire of the percentage of promotional  
21 matchbooks that you view as being saved by collectors  
22 versus used and discarded, and because those numbers  
23 are confidential I can't mention them except to say  
24 that they were different, the numbers that came from  
25 the two companies.

1                   So I wanted to ask you if you could describe  
2 the basis for how you calculated your estimate.

3                   MR. MARK BEAN: I think partly would be the  
4 exact definition of a collection. Matchbook  
5 collecting is one of the most popular hobbies in the  
6 United States. A match cover collector is called a  
7 phillumenist, a lover of light. They have conventions  
8 and national clubs, local and national clubs.

9                   Strictly speaking, collecting matches is  
10 probably not a huge percentage of the total, but then  
11 there is the kind of collecting that John referred to  
12 where most people have a drawer or a bowl somewhere in  
13 their house where they have got matchbooks of  
14 different hotels and restaurants that they have been.

15                   We based our estimate on that kind of  
16 collection, and that's why we assigned a very large  
17 percentage to the promotional matches as being  
18 collected as a souvenir.

19                   CHAIRMAN ARANOFF: So this is essentially  
20 based on the definition as you've described it as to  
21 what collection means, plus your personal observation  
22 of peoples' behavior.

23                   MR. MARK BEAN: Right.

24                   CHAIRMAN ARANOFF: And Mr. Bradley, your  
25 companies estimate was different. Do you want to tell

1 me how you came to it.

2 MR. BRADLEY: We thought that was a really  
3 interesting question and we struggled with how to  
4 answer it. Part of what Mark said was our struggle --  
5 what exactly is that definition. If you were just to  
6 limit it to who we think of as your hard core  
7 collectors, the people who have conventions, the  
8 people who order matches from us to enhance their  
9 collection, the number is tiny, and we would say that  
10 it would probably be less than 1 percent. It's such a  
11 small number.

12 So then we started thinking about what  
13 happens to the rest of our product, and we make, even  
14 as a small industry we make lots and lots of matches,  
15 and we make a matchbook for every man, woman and child  
16 in the United States pretty regularly. So all those  
17 matches have got to be going somewhere.

18 So a lot of them are used and then probably  
19 what we consider to be most of the matches somehow  
20 disappear. They get taken with the intention of being  
21 used or saved and not make it. So we thought, okay,  
22 given that and given the number of people in the  
23 United States, let's think about what's a reasonable  
24 percentage to say that people are putting in their  
25 bowl at home and sort of keeping is what we call a

1 casual collector, and that's how we came up with the  
2 number that we selected.

3 CHAIRMAN ARANOFF: Okay, thanks to everybody  
4 for clarifying that. That's very helpful.

5 In our preliminary opinion in these  
6 investigations, the Commission found that apparent  
7 consumption of commodity matchbooks sell faster than  
8 cigarette demand sells during the period that we were  
9 looking at. Do you agree with that assessment, and if  
10 you do, what's the most likely explanation Because  
11 you've told us the switch to lighters have pretty much  
12 already happened by the nineties?

13 MR. MARK BEAN: I'm not sure exactly what  
14 statistics you're talking about in terms of how much  
15 greater the decline in sales were than declines in  
16 smoking, and whether or not those numbers would also  
17 reflect the impact of the lost sales to imported  
18 matchbooks from India.

19 CHAIRMAN ARANOFF: They wouldn't because  
20 we're looking at total consumption in the United  
21 States.

22 MR. MARK BEAN: Total consumption.

23 CHAIRMAN ARANOFF: Yes.

24 MR. MARK BEAN: We don't really have any  
25 specific theories about the explanation other than the

1 fact that we do believe that lighters have pretty much  
2 saturated the market, and that we haven't had any  
3 further erosion of sales lost to them.

4 CHAIRMAN ARANOFF: Okay. Can you describe  
5 to me how price negotiations work in this market?  
6 When you're dealing with one of your customers, a  
7 distributor or a large retailer, when we look at some  
8 industries the customer, you know, always negotiates  
9 the same time every year and you set prices for the  
10 year or something it's done, you know, on an ad hoc  
11 basis. They call you up and sometimes you know that  
12 you're competing against someone else and sometimes  
13 you don't. Can you describe how it works for you?

14 MS. BARTLETT: One of my responsibilities is  
15 processing orders so I can speak to that. I would say  
16 that about half of our sales are spot sales where a  
17 customer calls and we just quote them off our price  
18 list, and then, you know, we would negotiate off of  
19 that if we had to. Then we do have some short-term  
20 and longer-term contracts, and we do also have some  
21 customers, you're talking about it comes up for bid  
22 maybe once a year, we have a few of those, not very  
23 many where we'll go through a bidding type process.

24 CHAIRMAN ARANOFF: So if a customer calls  
25 you and asks you for a price on a spot purchase, are

1 you going to know at that point whether they are also  
2 asking for a price from a competitor, either the  
3 importer from India or some other sources?

4 MS. BARTLETT: The would usually tell us if  
5 that was the case. We have a lot of repeat customers,  
6 so sometimes pricing doesn't come up every  
7 transaction. They will just -- like a reorder, they  
8 will reorder.

9 CHAIRMAN ARANOFF: When they call and  
10 reorder are they always going to ask you for a new  
11 price or are they just going to say, we want, you  
12 know, X amount more at the price we paid you last  
13 month?

14 MS. BARTLETT: It depends. If they think  
15 they have a reason to get a price decrease, then they  
16 would ask. If they had competing quotes, they would  
17 ask.

18 CHAIRMAN ARANOFF: Have you seen the process  
19 that you used to follow changed since the Indian  
20 producer entered the market or has the process only  
21 been about the same but just the prices have changed?

22 MS. BARTLETT: You mean in terms of spot  
23 sales? I do feel like we're quoting a lot more. You  
24 know, customers are calling up and asking for better  
25 pricing more frequently.

1                   CHAIRMAN ARANOFF: Okay. Since your  
2 petition was filed have you countered any new  
3 competitors selling commodity matchbooks from  
4 countries other than India?

5                   MS. BARTLETT: No.

6                   CHAIRMAN ARANOFF: Another question about  
7 demand. Has the increasing number of bans that are  
8 being passed on smoking in restaurants, bars and other  
9 similar public venues affected the demand for  
10 commodity matchbooks and promotional matchbooks in the  
11 same way, or has it affected them different?

12                  MR. BRADLEY: For those type of locations, I  
13 would -- in my opinion, I would say that the effect  
14 has been disproportionately on the side of promotional  
15 matches. When a smoking ban goes into a city,  
16 typically the initial reaction of the proprietor of a  
17 bar or a restaurant or a hotel is, oh, we don't need  
18 matches anymore, and since most of those matches are  
19 typically promotional matches it, in my opinion, hurts  
20 the promotional side of the business much more than  
21 the commodity side. Sometimes those sales do come  
22 back when the say, well, actually that matchbook I was  
23 buying was meant to be taken away, and the eventually  
24 reorder, but I think the initial ban impacts  
25 promotional matches.

1                   CHAIRMAN ARANOFF: Okay. Did anyone from  
2 D.D. Bean want to comment on that?

3                   MR. MARK BEAN: Just that we would agree  
4 with that analysis. We don't think the ban has  
5 impacted the commodity matchbooks as much.

6                   CHAIRMAN ARANOFF: Okay, thanks very much.  
7 Since my light is yellow I'm going to turn the  
8 questioning over to Commissioner Pinkert.

9                   COMMISSIONER PINKERT: Thank you, Madam  
10 Chairman, and I join the Chairman in thanking all of  
11 you for being here today and helping us understand  
12 what's happening in this industry.

13                   I want to begin with something that's noted  
14 on page 2 of your brief. There is a discussion there  
15 of imports declining in 2007, but that that was the  
16 result of your effort to lower your prices in 2007 to  
17 compete with the imports at that time, and I'm  
18 wondering, can you extend that story into 2008? In  
19 other words, was the dynamic the same?

20                   I know you said in you testimony, Ms.  
21 Bartlett, that the price lowering continued in 2008,  
22 but does that account for the level of the imports  
23 going into and through 2008?

24                   MS. BARTLETT: We did keep our prices down  
25 into 2008, and we believe that's why the volumes of

1 imports were lower.

2 COMMISSIONER PINKERT: But did you continue  
3 the process of lowering your prices or did they just  
4 stay steady into 2008?

5 MS. BARTLETT: I'd have to look at  
6 particular customers to answer that accurately. I  
7 know that on average 2008 and 2007 were very similar  
8 in our average net sales, but I also recall particular  
9 customers getting deeper discounts. It's more on a  
10 customer-by-customer basis because its competing  
11 quotes.

12 MR. MARK BEAN: I think there also was a  
13 couple of instances where we tried to move pricing  
14 back up a little bit in 2008, and had to roll because  
15 the imported matches were still in the market, still a  
16 strong presence in the market.

17 COMMISSIONER PINKERT: Mr. Bradley, do you  
18 have anything you would like to add to that?

19 MR. BRADLEY: Only that we continue to hear  
20 about very low import prices in the market at that  
21 time, throughout 2007, 2008, and as I said in my  
22 statement, all the way through just two weeks ago.

23 COMMISSIONER PINKERT: Thank you. Now, I  
24 hope my next question is not alarming but I just want  
25 to give you a statement that you can react to, respond

1 to. Is it fair to say that subject imports represent  
2 a small and declining share of a deteriorating U.S.  
3 market? And if it's not fair to say that, can you  
4 tell me why it's not fair to say that?

5 MR. MARK BEAN: I don't think I want to  
6 comment whether it's fair or not, but the idea that  
7 the commodity matchbook industry is a declining  
8 industry is not something that we're trying to hide.  
9 We have been living in that reality for a number of  
10 years, and have been budgeting for declining volumes  
11 for some time, and we have been able to have a  
12 business model that maintains profitability and  
13 reasonable return on investment for sometime in the  
14 future despite the decline.

15 What we weren't able to budget for and the  
16 declines that we weren't able to react to or adapt to  
17 were the impact of the lost volumes, lost revenues,  
18 and the price depression caused by the import.

19 COMMISSIONER PINKERT: Mr. Bradley. Oh, I'm  
20 sorry, Ms. Bartlett.

21 MS. BARTLETT: Commissioner Pinkert, I just  
22 wanted to add to that and probably repeat some of what  
23 Mark said, but in terms of the significant imports  
24 representing a small percentage of the market, it  
25 might be that in order cases you do see volumes taking

1 bigger and bigger pieces of the domestic market, and  
2 we feel like in this case it was a significant volume,  
3 and it was on the increases until we responded.

4 But even more importantly with the impact it  
5 had on the pricing in the market. Though the volumes  
6 may be considered smaller than normal, the impact of  
7 the pricing was enormous.

8 COMMISSIONER PINKERT: I understand what  
9 you're saying but I want to go back to one little  
10 piece of what I was asking you to react to, and that  
11 is, whether or not the subject imports are declining.  
12 In other words, is that how you see the role of the  
13 subject imports in the U.S. market as declining or is  
14 the pattern in the data something that is more  
15 temporary, in your view? And I'm hoping that you can  
16 add your business perspective to that.

17 MS. BARTLETT: The volumes have declined in  
18 2009 and 2008, the volume of imports, and we believe  
19 it's because of our competitive position, our ability  
20 to meet their pricing. We also believe that if we let  
21 up our pricing, if we raise our prices, they would be  
22 ready to come right back in. Does that answer your  
23 question, Commissioner?

24 COMMISSIONER PINKERT: Yes. In the post-  
25 hearing if there is anything that you can add to help

1 us understand the historical pattern in this case I  
2 think that would be useful because certainly the  
3 pricing changes for the domestic industry don't look  
4 to be as large into 2008 as they were into 2007. So  
5 if we're trying to explain why the imports decline in  
6 2007, we still have to explain why they declined in  
7 2008, but I think that's something perhaps more for  
8 the post-hearing. Thank you.

9 Now, I would also like to try to understand  
10 the role of nonsubject imports in the U.S. market. Do  
11 you have any thoughts about why that participation may  
12 have declined during the period that we're looking at?

13 MR. MARK BEAN: You said nonsubject imports?

14 COMMISSIONER PINKERT: In other words, not  
15 from India.

16 MR. MARK BEAN: Right. The only two other  
17 instances in recent times of any imported matchbooks,  
18 there is a company in Mexico that has made a couple  
19 entries into the United States, and briefly from  
20 China. The company from Mexico actually had on two  
21 different occasions made successful efforts to secure  
22 distribution from large customers in the grocery store  
23 business, and we were able -- we found that we were  
24 able to effectively compete against Mexican imports,  
25 although in Mexico they enjoy lower labor costs than

1 the United States, and they have a close proximity to  
2 the United States so they don't have excess  
3 transportation costs, they have other manufacturing  
4 advantages, they do not have the advantage of  
5 subsidies, and the Mexican company was not selling at  
6 less than fair value pricing. So we found we were  
7 able to effectively -- they were a good competitor and  
8 it wasn't easy but we were able to effectively compete  
9 against them and win that business back.

10 The Chinese company never seemed to be able  
11 to meet the quality standards demanded in the market,  
12 and never really made much, if any inroads in the U.S.  
13 I know they made some inroads in Canada. I'm not even  
14 positive if they ever made it into the United States,  
15 but they were primarily not up to snuff in terms of  
16 quality, and then this particular factory ended up  
17 closing.

18 The only ones that we have not been -- you  
19 know, between having, you know, certainly able to meet  
20 the quality demands of the U.S. market, be able to be  
21 good competitors in our own right the only company we  
22 haven't been able to deal with has been the dumped and  
23 subsidized imports from India.

24 COMMISSIONER PINKERT: Thank you. I'll save  
25 my additional questions until the next round.

1                   CHAIRMAN ARANOFF: Vice Chairman Pearson.

2                   VICE CHAIRMAN PEARSON: Thank you, Madam  
3 Chairman. I also would like to welcome the panel.  
4 It's good to see some of you again. I'd like to  
5 express my thanks to the folks at D.D. Bean for your  
6 hospitality and the delightful weather that you  
7 provided when some of us came up to Jaffrey here a few  
8 weeks ago. I'm glad that we can have at least pretty  
9 decent weather here for you today. Much better today  
10 than to have come on he weekend, I can assure you.

11                   I would also like to compliment you for the  
12 time and effort you have put into learning our  
13 terminology and procedures, and this is only your  
14 first case. I mean, it took me a couple of years to  
15 get to the point that you seem to be at now.

16                   Let me put myself in the position of a  
17 purchaser of matchbooks, and I'm going to ask about  
18 both promotional and commodity matchbooks to try to  
19 make sure that I understand the differences.

20                   Mr. Bradley, if I was to order on behalf of  
21 the International Trade Commission your smallest  
22 quantity of promotional matchbooks, and let's have  
23 them printed at a mid-level in terms of fanciness, and  
24 on the one side we'd have a schematic of the ITC  
25 building and on the other side we'd have, you know, a

1 note that would say something like "Please use these  
2 outside the building", or, you know, we could say  
3 something about avoiding material injury, but that  
4 gets too complicated.

5           Okay, so I place such an order with you.  
6 What is the minimum quantify and roughly what would  
7 that cost for us to get that here delivered to the  
8 Commission?

9           MR. BRADLEY: If you wanted to order a  
10 minimum quantity of what you call medium grade in  
11 terms of customization, that would take you out of the  
12 absolute minimum, which would be the lowest level of  
13 color choices we would give you, but in a medium  
14 choice, medium customization, the minimum would be  
15 5,000 matchbooks, which would be two cases of  
16 matchbooks. You could buy them in two different ways.  
17 You could either buy them through a promotional  
18 products distributor, which is someone that might have  
19 also sold you your ITC notepads, and windbreakers and  
20 hats, and you would probably pay about \$250 to that  
21 distributor who would have in turn paid us  
22 approximately \$150.

23           If you would have bought them from us  
24 directly, you still would have paid \$250, but you  
25 would have paid it to us directly. So we have two

1 different ways to sell you the product. Really, for  
2 us, it reflects two different price points.

3 VICE CHAIRMAN PEARSON: Okay. Good. Then  
4 if I decide that Commission really needs a large  
5 supply of matches and all we want to say on them is  
6 thank you, what's the minimum order that I could place  
7 for commodity matchbooks, and roughly, what would that  
8 cost?

9 MS. BARTLETT: When you say thank you, do  
10 you mean our inventory item or would you like us to  
11 print the ITC says thank you?

12 VICE CHAIRMAN PEARSON: No. We'll just take  
13 thank you out of inventory.

14 MS. BARTLETT: Out of inventory. Okay. We  
15 would ship you a pallet, which would be 50 cases, and  
16 that would be 125,000 matchbooks.

17 VICE CHAIRMAN PEARSON: Okay. And the rough  
18 cost on that?

19 MS. BARTLETT: You mean what price would we  
20 quote you? We would quote you on that. It would be  
21 about \$28 per case delivered.

22 VICE CHAIRMAN PEARSON: Okay. So we're  
23 talking a very significant difference in terms of the  
24 size of the order and the cost that a customer has to  
25 pay to participate in each of these markets, if you

1 will. Okay. Thank you. Can you tell me more about  
2 what's transpired in the marketplace since the filing  
3 of the petition initially, and then since the  
4 preliminary duties went into effect? Have you seen  
5 changes in the marketplace?

6 MR. BEAN: Initially when we filed the  
7 petition we saw almost nothing changed. The imports  
8 kept coming. I don't remember the exact percentages  
9 or the exact volumes, but we filed at the end of 2008  
10 and the last import shipments went well beyond that.

11 VICE CHAIRMAN PEARSON: Right.

12 MR. BEAN: So no impact, but then after the  
13 duties, they completely, the imposition in an attempt,  
14 the preliminary duties, they stopped. Since that  
15 time, we're not aware of exactly how much inventory  
16 still remains in the United States because we're still  
17 aware that there is some, and we still, as John  
18 Bradley pointed out, there's still a lot of customers  
19 that have a perception of what the pricing from India  
20 was, so although we have made some efforts to start to  
21 get our prices back up and we've had some success, we  
22 still are dealing with both inventory and perception  
23 of lower prices.

24 VICE CHAIRMAN PEARSON: Okay. So have you  
25 been able to increase shipments relative to the same

1 time period last year or is there still enough  
2 inventory from India out there that your shipment  
3 levels are about the same?

4 MS. BARTLETT: I think they have come up  
5 some.

6 VICE CHAIRMAN PEARSON: Okay. So some  
7 increase in shipment levels and some increase in  
8 prices, but you're perhaps not yet to the \$28 per case  
9 that you had just quoted me.

10 MS. BARTLETT: No, no, no.

11 VICE CHAIRMAN PEARSON: See, I'm a novice  
12 buyer. You could maybe get me to pay that yet.

13 MS. BARTLETT: Yes. We're not there yet.

14 VICE CHAIRMAN PEARSON: Okay. Any sense of  
15 how long the inventory from India might be playing a  
16 role in the U.S. market? I understand you may have no  
17 way of knowing that. I'm just trying to get a sense  
18 of what's present.

19 MR. C. BEAN: It's interesting, though, when  
20 we left the hotel -- what was the name of it?

21 MS. BARTLETT: We're staying at the L'Enfant  
22 Plaza. We were walking down the concrete steps.

23 MR. C. BEAN: We were walking down the  
24 concrete steps and on the steps we found a book match  
25 which was a Triveni book match on the steps, so we

1 said, no, they're still here.

2 VICE CHAIRMAN PEARSON: Okay.

3 MR. C. BEAN: And we see them. We still see  
4 them here.

5 VICE CHAIRMAN PEARSON: Are you hearing  
6 anything from your customers that, you know, they're  
7 starting to realize that the end of the Indian supply  
8 is in sight?

9 MR. BRADLEY: I would say just on the basis  
10 of getting some inquiries, I would say that our  
11 customers or our potential customers at this point  
12 don't realize that the pricing is gone, but there may  
13 be some indication that they need to shop around, you  
14 know, as we got the opportunity to quote a couple of  
15 weeks ago, and they pretty much hung up on me, but it  
16 was good to at least get a call and an opportunity to  
17 quote because maybe, thanks to the action that's been  
18 taken so far, as they shop around maybe they'll see,  
19 well, actually, I do have to pay a reasonable price  
20 for this product. I think, though, it's a little  
21 early to tell.

22 VICE CHAIRMAN PEARSON: Okay.

23 MR. C. BEAN: Also, the nature, a lot of our  
24 customers, the types of distributors that we sell to,  
25 particularly in a market like New York City area,

1 these are customers that are used to buying a lot of  
2 commodity types of merchandise and they're not the  
3 types of distributors that are particularly  
4 forthcoming with the truth when it has to do with  
5 competitive prices that are out there, and so, you  
6 know, it's hard for us. We get a lot of stories that  
7 we can't always authenticate.

8 VICE CHAIRMAN PEARSON: Okay. Fair enough.  
9 Our period of investigation has the three full years  
10 2006, 2007, 2008, and then half year of 2009. I know  
11 you've spoken, Ms. Bartlett, about the price  
12 depression that has been experienced in the industry,  
13 and yet, on this record we don't see as much actual  
14 price decline as we occasionally see in other cases.  
15 If our period of investigation went back a year or two  
16 earlier, would we see more of an actual price decline?  
17 Could you comment on that?

18 MS. BARTLETT: Commissioner Pearson, you're  
19 saying that the average sales decline isn't coming  
20 down like you would expect or are you talking about  
21 total?

22 VICE CHAIRMAN PEARSON: The prices of our  
23 pricing products when we do our, you know, we look at  
24 the prices and track them over the period of  
25 investigation.

1 MS. BARTLETT: Looking for like a sharper  
2 decline.

3 VICE CHAIRMAN PEARSON: Well, sometimes we  
4 see that.

5 MS. BARTLETT: Yes. I'd have to look at  
6 that maybe.

7 MR. M. BEAN: I think, though, that  
8 certainly if you extended it back, the prices would  
9 have declined that much more, so yes.

10 VICE CHAIRMAN PEARSON: Because you  
11 testified that it was in 2006 that you reduced your  
12 pricing to try to be competitive with the --

13 MS. BARTLETT: Right. That's when our  
14 strategy kicked in.

15 VICE CHAIRMAN PEARSON: Okay. And so if we  
16 had the previous year in our data, we might see more  
17 of an actual drop in the pricing then. Is that a fair  
18 assumption?

19 MS. BARTLETT: I think so.

20 MR. M. BEAN: Yes.

21 VICE CHAIRMAN PEARSON: Okay. Thank you.  
22 Madam Chairman, my time's expired.

23 CHAIRMAN ARANOFF: Commissioner Okun?

24 COMMISSIONER OKUN: Thank you, Madam  
25 Chairman. Join my colleagues in welcoming all of you

1 here today. Very much appreciate the time you're  
2 taking with us, and also appreciate the written  
3 statements that you've provided. It's helpful. I  
4 also wanted to welcome our guest from Ghana. I know  
5 that we'll have the opportunity to speak with you  
6 tomorrow. I hope that attending this hearing will  
7 spark some conversations for us. Then, before I turn  
8 to my questions, there's always the, you know,  
9 interesting facts you pick up and so I think, Mr. Mark  
10 Bean, what is a match collector called? Because I  
11 looked it up because I thought that's a good word for  
12 my daughter who's studying lots of vocabulary for a  
13 certain test, so not phillumenist, because I looked  
14 that up and I got it wrong.

15 MR. M. BEAN: Yes. It's a phillumenist, a  
16 lover of light.

17 COMMISSIONER OKUN: F-S-O?

18 MR. M. BEAN: No. P-H-I-L-E.

19 COMMISSIONER OKUN: P-H, of course, with the  
20 -- okay. All right. There. See, I learned  
21 something. That's a good thing.

22 MR. M. BEAN: The major organization is  
23 called the Rathkamp National Match Cover Association.  
24 They have a national convention every year. They have  
25 a website.

1                   COMMISSIONER OKUN: Thank you. All right.  
2                   Now, turning to questions. I have had the opportunity  
3                   to tour your facility and although not yours, Mr.  
4                   Bradley, but it is helpful and you've answered a  
5                   number of questions today with the presentation you  
6                   made, but I did want to follow up a bit on the pricing  
7                   questions that my colleagues have raised just to make  
8                   sure I understand what we see on this record and what  
9                   you've experienced. One, Mr. Bradley, I just wanted  
10                  to turn to you briefly. When you talked about someone  
11                  calling to make an inquiry or a quote, was that on  
12                  commodity?

13                 MR. BRADLEY: Yes. The example I cited when  
14                 we had recently received a call was on commodity. We  
15                 up until fairly recently had sold the product that we  
16                 made to D.D. Bean.

17                 COMMISSIONER OKUN: Right.

18                 MR. BRADLEY: And so D.D. Bean discontinued  
19                 purchasing from us so we're back out beating the  
20                 bushes looking for something to replace that.

21                 COMMISSIONER OKUN: Okay. This may be  
22                 confidential and you can submit it afterwards if you'd  
23                 like, but when you say you were in the process of  
24                 looking for other customers to restart selling the  
25                 commodity matchbooks, do you need something in the

1 order of what D.D. Bean was purchasing from you to be  
2 able to get back in that business or can it be done  
3 fairly quickly? If you got a big order, are you back  
4 in business immediately?

5 MR. BRADLEY: We could start making it  
6 tomorrow.

7 COMMISSIONER OKUN: Okay.

8 MR. BRADLEY: We have the machines set up,  
9 we have employees because our factory is still  
10 currently producing promotional matches and other  
11 items and it's easy to move the workers to the  
12 commodity equipment. While it's not the same  
13 equipment, it's conceptually similar, and we could  
14 start immediately.

15 COMMISSIONER OKUN: Okay. And is the volume  
16 you need, I think the Vice Chairman had asked D.D.  
17 Bean to talk about what would be their minimum  
18 quantity of commodity matches. Would it be similar?

19 MR. BRADLEY: Well, we currently do not have  
20 an inventory of commodity matches so I suppose, and  
21 this is a little bit of speculating exactly how we  
22 would handle it, I suppose what we would do is if we  
23 truly believed that we could get a decent price for  
24 commodity product we would ship it by the pallet. To  
25 do that, we would have to make a little bit more than

1 a pallet to make a reasonable run length for that  
2 item. So we would make a pallet, ship it to you, but  
3 we'd also make a few more pallets and store them in  
4 inventory waiting for your reorder.

5 COMMISSIONER OKUN: Okay. Okay. That's  
6 helpful. Then, talking again about what you saw with  
7 prices during the period of investigation, and you  
8 talked about the strategy that you followed of  
9 reducing your prices in order to meet the Indian  
10 imports and that you succeeded in holding down their  
11 volume but at the same time keeping your prices down,  
12 and we have record before us, but can you tell me just  
13 in terms of with respect to your raw material costs  
14 during that time what was going on and whether your  
15 pricing was able to reflect any changes in raw  
16 material costs even during this period when you felt  
17 you were trying to be most competitive with the  
18 Indians. Ms. Bartlett?

19 MS. BARTLETT: Our raw material costs, in  
20 2008 particularly, started rising. A lot of those  
21 increases, you know, because we inventory, we average  
22 the cost, so a lot of those increases we felt the end  
23 of 2008, and then well into 2009 they were in full  
24 force. So when we did get those raw material  
25 increases, no, we weren't able to pass them on,

1 particularly to the customers that were demanding the  
2 deep discounts for beating the competition.

3 COMMISSIONER OKUN: Okay. And then I just  
4 want to make sure that I understood your response to  
5 the Vice Chairman. In terms of after the imposition  
6 of duties, it's still the case that prices, there was  
7 not a difference in price recovery during that period.  
8 Were you able to pass along these raw material  
9 increase?

10 MS. BARTLETT: Yes. What we did was in  
11 2008, again, it was in the summer of 2008 when we were  
12 getting all these increases and we developed a  
13 strategy. We tried to pick customers that we thought  
14 we could introduce the price increase to with minimal  
15 risk, and so at the end of 2008 we put some prices up,  
16 and then into 2009 we kind of, you know, on a case by  
17 case basis. Some of them stuck, and some of them  
18 didn't.

19 COMMISSIONER OKUN: Mr. Gaston, did you have  
20 something to add?

21 MR. GASTON: After the imposition of the  
22 temporary duties did you notice a change at that  
23 point?

24 MS. BARTLETT: Yes. After the order was put  
25 in place we had much better luck, particularly, you

1 know, again in that northeast market, getting the  
2 prices up.

3 COMMISSIONER OKUN: Okay. And did it matter  
4 what type of customers? You had responded earlier  
5 about the different, that there were spot sells and  
6 then you had some people on contract, short or longer  
7 term contracts. Did the nature of the customer  
8 explain whether you were able to get a price increase?

9 MR. M. BEAN: Yes. The customers that we  
10 have more long-term supply arrangements with were the  
11 ones that we were able to negotiate the increases  
12 with. And then two out of three. One we had to then  
13 end up rolling back the prices because they were still  
14 getting the competitive quotes from India.

15 COMMISSIONER OKUN: Okay. That's helpful.  
16 And then just so that I understand again where you saw  
17 the pricing pressure, with the Indian product, were  
18 they doing anything other than the white commodity  
19 cover?

20 MR. M. BEAN: No. They claim they have the  
21 capabilities to do the private label and the national  
22 brands, but all they've ever shipped into the United  
23 States been the plain white that we're aware of.

24 COMMISSIONER OKUN: Okay. And then tell me  
25 how that impacted pricing in other than the plain

1 white for you. In other words, I know you talked  
2 about the process a little bit when someone calls and  
3 asks for a quote. Would the presence of the Indians  
4 in plain white impact the prices of private label for  
5 you?

6 MR. M. BEAN: Yes.

7 COMMISSIONER OKUN: And how and why?

8 MR. M. BEAN: Well, because they claimed  
9 they had the capacities to do that and in fact were  
10 having negotiations, not just Triveni, but other  
11 Indian producers were actually having negotiations to  
12 enter the private label market directly.

13 COMMISSIONER OKUN: Okay. I'm trying to  
14 think of what we have in the record and what might be  
15 helpful. If there's anything that you have in terms  
16 of either pricing, bids or any of the negotiations  
17 that went on that would help me better understand how  
18 that happened because, you know, sometimes it's a  
19 little hard to figure out. If it's not actually in  
20 the market, why would a private label purchaser be  
21 able to use that as a negotiation tactic if they can't  
22 get it right away? In other words, is it because you  
23 have these long order times? I'm trying to understand  
24 why there is that pricing pressure if that product is  
25 not what's in the market.

1 MS. BARTLETT: Some private label customers  
2 also buy plain white at the same time. They'll order  
3 three or four pallets of each.

4 COMMISSIONER OKUN: Okay. So they wouldn't  
5 want their spread between their plain white and their  
6 private label, they would want that to be fairly  
7 close? Is that an accurate description or not?

8 MS. BARTLETT: Well, our customer is going  
9 to be the distributor so they may purchase for two or  
10 three different supermarkets on one order, and they  
11 would also purchase maybe some plain white and some  
12 thank you, so that customer is familiar with pricing  
13 on plain white and they would be aware of Triveni's  
14 pricing, or they could potentially be.

15 COMMISSIONER OKUN: But would it be the case  
16 that that distributor would have the opportunity to  
17 purchase plain white from the Indians and private  
18 label from you? I mean, would they split up their  
19 orders like that, or do they? Is that typical of the  
20 industry, if you know.

21 MS. BARTLETT: It hasn't come up.

22 MR. M. BEAN: Yes. It wouldn't be typical  
23 but it would certainly be possible.

24 COMMISSIONER OKUN: Okay. My red light's  
25 come on, but I thank you very much for those

1 responses.

2 CHAIRMAN ARANOFF: Commissioner Lane?

3 COMMISSIONER LANE: Good morning. I, too,  
4 welcome you to this hearing. I'm sorry that I didn't  
5 get to do any of the tours. Ms. Bartlett, I'd like to  
6 start with you. I think that your testimony indicates  
7 that in order to get a full picture of what has  
8 happened to this industry we need to go back to 2003  
9 when the subject product was coming into this country  
10 and that's when you started seeing the affect on your  
11 industry, is that correct?

12 MS. BARTLETT: 2003 was the year that --

13 COMMISSIONER LANE: I'm sorry. I can't hear  
14 you.

15 MS. BARTLETT: Sorry. 2003 was the year  
16 that they had contacted us and that we became aware of  
17 them as a producer and an importer.

18 COMMISSIONER LANE: Well, your testimony  
19 indicates that in 2003 the volumes increased 22 times  
20 to 2006.

21 MS. BARTLETT: Yeah. What I was doing was  
22 we have the volumes in cases of imports, so that's the  
23 number in 2003 versus 2006.

24 COMMISSIONER LANE: Well, when Commissioner  
25 Pinkert asked about the volume being declining with

1 the statistics that we had, I guess I am asking you if  
2 to get a full picture of what happened we need to go  
3 back to 2003 when the imports started to come into  
4 this market and that's when you started having to deal  
5 with pricing to meet that threat from the imports.

6 MR. M. BEAN: Yes. In 2003, the industry  
7 was very different than it was after 2003. The  
8 increase in volumes of the imported matches increased  
9 dramatically in volume and the pricing deteriorated  
10 dramatically.

11 COMMISSIONER LANE: Okay. Now I have a  
12 question for both Bean and Atlas. Mr. Bradley, I  
13 understand that you say that Atlas can produce both  
14 commodity matches and promotional matches, but you do  
15 promotional matches now, and if you had customers, you  
16 could do commodity matches. Is that correct?

17 MR. BRADLEY: That's correct.

18 COMMISSIONER LANE: But you would be using  
19 different equipment.

20 MR. BRADLEY: That's correct.

21 COMMISSIONER LANE: But you would be using  
22 the same employees.

23 MR. BRADLEY: That's correct.

24 COMMISSIONER LANE: And do you have that  
25 equipment now that would produce the commodity

1 matches?

2 MR. BRADLEY: We do, and we used it as  
3 recently as last month. Within the last month or two  
4 was our last shipments.

5 COMMISSIONER LANE: Okay. Mr. Bean, what  
6 about Bean? Has it ever produced promotional matches?

7 MR. M. BEAN: We have produced some  
8 promotional matches. Our version of a promotional  
9 match still requires us to use all the standardized  
10 components of commodity matchbooks, but to the extent  
11 that we have done certain promotional orders,  
12 sometimes, most often, as an accommodation to large  
13 customers of ours, and then we do a lot of kind of  
14 things that might fall into a gray area, but we are  
15 not in the promotional business. We don't solicit  
16 promotional matchbook orders in any way. In fact, we  
17 get inquiries all the time that we refer to Atlas.

18 COMMISSIONER LANE: Do you have equipment,  
19 though, that could do promotional matches although it  
20 might be a standard size?

21 MR. M. BEAN: We have one assembly machine  
22 that produces a 30 stick matchbook as opposed to all  
23 the rest of our assembly machines which produce 20  
24 stick matchbooks. That one assembly machine, since  
25 promotional matchbooks are more often 30 stick

1 matchbooks, if we were to do a promotional match, it  
2 would most likely be on that one machine. That one  
3 machine runs, it's a kind of a hybrid machine that  
4 runs much, much slower and is offline from the rest of  
5 our equipment, but it still is a commodity, it's a  
6 variation of a commodity matchbook machine.

7 COMMISSIONER LANE: And you have employees  
8 that can run that machine?

9 MR. M. BEAN: Yes, because it's not really  
10 any different than the rest of our machines other than  
11 it runs slower.

12 COMMISSIONER LANE: Mr. Bradley, if you went  
13 back into the commodity business, how would you  
14 distribute the product?

15 MR. BRADLEY: We would be distributing it  
16 through the same kind of channels as Bean does,  
17 through grocery wholesalers, through mass  
18 merchandisers. There are a couple, there's not a lot  
19 of real large, there's not a large number of customers  
20 buying commodity matches, it's kind of a small base  
21 that you're targeting, so we would be going after the  
22 same customers as Bean and Triveni. Our hope would be  
23 to get one of the larger customers that would have a  
24 meaningful amount of business to give us to make it an  
25 ongoing operation as opposed to just start and stop

1 kind of thing.

2 COMMISSIONER LANE: Do you have an existing  
3 relationship with any of those distributors?

4 MR. BRADLEY: Yes, in the sense that we know  
5 who many of them are and they contact us periodically  
6 and we contact them.

7 COMMISSIONER LANE: Okay. Now I'm really  
8 going to show some of my ignorance. If somebody  
9 bought a carton of cigarettes, and I'm not even sure  
10 how many packs are in a carton, I'm going to say 20  
11 but I don't know, so if a person buys a carton of  
12 cigarettes, do they get a pack of matches for each  
13 pack in that or do they just get one matchbook for the  
14 whole carton?

15 MR. M. BEAN: Typically when you buy a  
16 carton of cigarettes you are not even likely to get  
17 matches for free because mostly the custom of giving  
18 away matches for free is with the purchase of a pack  
19 of cigarettes and that's usually at a convenience  
20 store. Most carton sales of cigarettes are at the  
21 grocery store or the mass merchandiser, and they are  
22 less likely to give away the book of match. They have  
23 them for sale by the caddy but they don't give them  
24 away one at time.

25 COMMISSIONER LANE: Okay.

1 MR. C. BEAN: If I can? Can I just add to  
2 that?

3 COMMISSIONER LANE: Go ahead.

4 MR. C. BEAN: Am I on?

5 COMMISSIONER LANE: Yes.

6 MR. C. BEAN: That if you go into a grocery  
7 store where they sell cigarettes or a drugstore where  
8 they sell cigarettes and you buy a carton and you ask  
9 for matches, my experience, and I think in most  
10 places, they'll give you matches, whereas most  
11 frequently, if you buy a pack of cigarettes and ask  
12 for matches, they won't give it to you, but if you buy  
13 a carton, you know, that's kind of like a fine  
14 distinction. Convenience stores is where the matches  
15 are given with a purchase of a pack of cigarettes, but  
16 the supermarkets still have them.

17 COMMISSIONER LANE: Do the commodity  
18 matches, have you developed other markets other than  
19 places that sell cigarettes? For instance, if you buy  
20 candles, do people give away free matches or commodity  
21 matches?

22 MR. BRADLEY: We sell a lot of promotional  
23 matches to candle shops that say, you know, something  
24 like Suzie's Candles with a phone number and address.  
25 There's some larger candle companies that do

1 promotional matches. My impression, is the candle  
2 business has always been a promotional area, or I  
3 shouldn't say always, but recently.

4 COMMISSIONER LANE: Okay. And you talked  
5 about the onset of the Bic lighter. Did the fact that  
6 the Surgeon General came out in the 1970s saying that  
7 cigarettes were bad for your health also have an  
8 effect upon your sales?

9 MR. M. BEAN: I'm not 100 percent sure but I  
10 don't think cigarette smoking actually started to  
11 decline. The rate of increase in smoking leveled off,  
12 but I don't think cigarette sales actually declined  
13 until much later.

14 COMMISSIONER LANE: Okay. Thank you. Madam  
15 Chair, that's all I have for this round. Thank you.

16 CHAIRMAN ARANOFF: Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Thank you, Madam  
18 Chairman. I too want to thank the witnesses for  
19 coming today and taking time from your businesses to  
20 give these very thorough presentations. I want to  
21 join Commissioner Okun in expressing particular  
22 appreciation for having the prepared statements. I've  
23 always found it very helpful, and I thank you. Many  
24 of the actual figures on imports and domestic  
25 performance are business confidential and so should

1 not be discussed in an open hearing. However, my  
2 staff has indicated that it is appropriate to refer to  
3 trends in the data and some of my questions will focus  
4 on trends. For example, please describe the trend in  
5 annual consumption of commodity matchbooks over the  
6 last 10 years.

7 MR. M. BEAN: You want the trend in sales?  
8 Is that what you said?

9 COMMISSIONER WILLIAMSON: Yes. Of overall  
10 consumption of the matchbooks. How would you describe  
11 it?

12 MR. M. BEAN: It's been declining, and  
13 throughout that period of time the decline has been  
14 exacerbated by the presence of the imported  
15 matchbooks. In terms of our volume, the overall  
16 market has been declining we think pretty much  
17 primarily as a result of declines in the rate of  
18 cigarette smoking.

19 COMMISSIONER WILLIAMSON: Okay. I guess one  
20 would forecast that that trend will continue. Is that  
21 fair to say?

22 MR. M. BEAN: Yes. That seems to be the  
23 trend, as much we'd like it to be otherwise.

24 COMMISSIONER WILLIAMSON: Okay. Okay.  
25 Other than the statute, the Commission is required to

1 ensure that it does not attribute to the subject  
2 imports the harmful effects caused by other factors.  
3 In this case one of those factors is clearly the  
4 falling consumption of commodity matchbooks. We know  
5 the consumption has fallen significantly between 2006  
6 and the first half of 2008 and the first half of 2009.  
7 In each case, the declines were well in excess of five  
8 percent. Would you agree that falling consumption  
9 would be expected to result in lower sales quantities  
10 and to put downward pressure on prices?

11 MR. M. BEAN: Yes. I mean, we budget for  
12 five percent but we've created an environment and a  
13 business model that we are trying to adapt to a  
14 declining market, whatever the declines in the market  
15 are, and in an orderly fashion where we have some  
16 ability to charge fair pricing and, you know, get a  
17 fair return on investment, to be able to make capital  
18 improvements, to invest in new projects and other  
19 things. We can operate very successfully in that  
20 environment. We couldn't cope with the depressed  
21 pricing.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. C. BEAN: If I may add to that answer?

24 COMMISSIONER WILLIAMSON: Sure. Sorry.

25 MR. C. BEAN: We still make five million

1 matchbooks a day, so that's a lot.

2 COMMISSIONER WILLIAMSON: I'm sorry I didn't  
3 get a chance to visit the factory. That would,  
4 impressive to see. How should the Commission evaluate  
5 the effects of the falling consumption versus the  
6 effects of the subject imports?

7 MR. M. BEAN: Well, we obviously believe  
8 that, as I just said, we can operate in an environment  
9 of declining volumes as long as we can charge a fair  
10 price for our product. What we could not cope with is  
11 the additional pressures of lost sales and lost  
12 revenues, but the primary injury being the depressed  
13 pricing where we couldn't charge a fair price for our  
14 product. In fact, we couldn't charge a price above  
15 what would, you know, cause substantial operating  
16 losses and was driving us right out of business.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.  
18 We've known the trend in recent years of improvement  
19 in the domestic industry's market share. SO given  
20 that the domestic industry has been gaining market  
21 share at the expense of subject imports in recent  
22 years, and I think you've answered this before and I  
23 have the indication in some of the answers, but I was  
24 just wondering again, indicate how do you think  
25 subject imports have been injuring the domestic

1 industry? I think, Ms. Bartlett, you particularly  
2 talked about the pricing effect, but elaborate on  
3 that.

4 MS. BARTLETT: I think the pricing effect in  
5 terms of revenues has been really the driving factor  
6 in the injury, and then, as I ended my statement, we  
7 did find other, pretty much every aspect of the  
8 operation being injured because of the subject  
9 imports, you know, general profitability, as well as  
10 workforce, losing workers, utilization. Being able to  
11 maintain our equipment is key. For anybody that did  
12 make the tour, you know, we have a lot of equipment to  
13 maintain, and we really need to make sure that we're  
14 setting aside some money, and some time and resources  
15 to do that, if that answers your question.

16 MR. C. BEAN: If I could add to that, too.  
17 Also, we have a business plan which before the  
18 downturn in matches encompassed broadening a line of  
19 products and would allow us to -- it's been a long,  
20 hard road trying to get into different products, but  
21 we have some that we're excited about because they  
22 are, I don't want to discuss it right now, but they're  
23 not -- but it's preventing us from doing the, you  
24 know, business plan thinking that we want to because  
25 we don't have the resources to really get into those,

1 but we think we have a future beyond --

2 COMMISSIONER WILLIAMSON: If you want to  
3 discuss this further in posthearing, that would be  
4 appropriate.

5 MR. C. BEAN: Okay.

6 COMMISSIONER WILLIAMSON: I mean, I realize  
7 this is business proprietary but I think it would be  
8 interesting to sort of see how, you know, given what's  
9 happening with cigarette consumption, how would you  
10 plan to deal with this even if you didn't have to deal  
11 with the dumped imports. Okay. Thank you. I was  
12 curious about the nature of the distributors. I mean,  
13 I live in New York City and I know there's, I mean,  
14 there's all the corner bodegas that you can buy  
15 cigarettes from, there's chain drugstores, there's,  
16 you know, chain grocery stores. There's just such a  
17 variety of places, and so I was wondering about the  
18 nature of your distributors.

19 Are there some firms that sort of just deal  
20 with the national grocery chains? Are there others  
21 who deal with national, say, pharmacy chains, and  
22 others who deal with the mom and pop stores?

23 MR. M. BEAN: Yes. There's a few large  
24 distributors on a national basis that offer a wide  
25 range of consumer products that fall into a certain

1 category of things like matches, toothpicks, plastic  
2 cutlery, plastic straws, certain disposable consumer  
3 items such as that, that a couple of large  
4 distributors sell to, redistribute to grocery stores  
5 on a national basis. Then there are other  
6 distributors on a more local, regional basis that tend  
7 to handle redistribution to small convenience stores,  
8 or grocery stores, or even to other distributors.

9           Some of them are pretty large, and  
10 particularly in a market like New York City, and  
11 others are very small mom and pop type operations.  
12 There's various levels within that. Some of the  
13 distributors actually are redistributors that  
14 primarily buy product and then sell only to other  
15 distributors who then sell to the retail outlets. A  
16 lot of them carry candy and other merchandise that --  
17 it's not cigarettes. They also carry candy and other  
18 merchandise that gets sold into convenience stores.

19           COMMISSIONER WILLIAMSON: Okay. Now, are  
20 there any particular categories where you saw the most  
21 import competition or was it across the board?

22           MR. M. BEAN: Yeah. It's those customers,  
23 the ones that sell under the convenience store market  
24 primarily and the redistributors, that can buy  
25 container loads of quantity. All they're interested

1 in is price. That's all they care about is price.  
2 The grocery store customers have other considerations,  
3 service, quality, long time relationship, things like  
4 that, that give us a little bit more of an advantage.

5 COMMISSIONER WILLIAMSON: Good. Thank you.  
6 Mr. Gaston, you mentioned that the company has pursued  
7 all avenues for relief, and so I was wondering, what,  
8 in particular, besides this case were you thinking  
9 about when you said that?

10 MR. GASTON: I was basically thinking of  
11 this case. All legal avenues that are available to  
12 fight back when you're being targeted by unfair trade.  
13 It might not seem that there are many others, but this  
14 case has been a huge undertaking for this small  
15 company. To go through the whole process of bringing  
16 the petition, going to the Commerce Department, going  
17 to the International Trade Commission and going  
18 through the different phases has been a huge effort,  
19 and most of it has been done by these people here and  
20 not by me, as their lawyer. So I think that should be  
21 appreciated.

22 COMMISSIONER WILLIAMSON: Okay. Thank you  
23 very much. Thank you for those answers.

24 CHAIRMAN ARANOFF: We've talked about the  
25 fact that over the long term demand is declining

1 because fewer people are smoking. I note that  
2 although you have enough capacity to supply the  
3 domestic market you haven't done anything really to  
4 adjust your capacity to reflect the current and  
5 expected pattern in demand. Can you explain why that  
6 is? Is there a cost to you of maintaining machines  
7 that are not being used?

8 MS. BARTLETT: The capacity, it's based  
9 primarily on machinery, what machines we have in  
10 place. In terms of expanding it from our regular  
11 production now to maximum capacity, our maximum  
12 capacity would be even more than what we have on the  
13 questionnaire, but it's just a matter of getting the  
14 workers. Right now we're running one shift and if we  
15 added a second shift or even half of a second shift,  
16 we would be up. So there is no cost to maintain those  
17 machines because we're using them all day, and the  
18 only cost to get back up to speed would be adding more  
19 workers.

20 CHAIRMAN ARANOFF: My understanding, though,  
21 is that you have enough machine capacity to produce  
22 more matches than the U.S. market consumes in a given  
23 year and that number's not going to go up because  
24 you've told us it's going down over time, so I guess  
25 my question was have you thought about adjusting your

1 capacity downward or is it simply costless not to do  
2 that?

3 MS. BARTLETT: There's really no cost.  
4 Yeah, I guess you could say it's costless. There's no  
5 reason to change anything.

6 CHAIRMAN ARANOFF: Okay. Okay. We look at  
7 a lot of industries where just keeping machinery that  
8 you're not using in operating condition has cost, so  
9 you're telling us this is all fully depreciated and  
10 there's just no cost to keeping it around.

11 MS. BARTLETT: Right. Again, this is  
12 machinery that we're using every day. We use it for  
13 one shift and the capacity would come from adding  
14 workers for a second shift. I don't know if you want  
15 to say anything else about the machinery. It is fully  
16 depreciated.

17 MR. M. BEAN: Yeah. It's fully depreciated,  
18 but it's one big continuous flow of production and so  
19 there's really -- and the staffing, the way the  
20 staffing would work out, it's simply a question, as  
21 Julia has said, of just adding more employees. There  
22 would be no benefit in taking equipment offline.

23 CHAIRMAN ARANOFF: Okay. So even though you  
24 see this as a product where demand is going to slowly  
25 decline over time, that doesn't affect the way that

1 you look at the machinery that you have.

2 MR. M. BEAN: We might end up running that  
3 individual components of machinery but the savings in  
4 that would be marginal.

5 CHAIRMAN ARANOFF: Okay. Thanks. Now, my  
6 colleagues have congratulated you all on how good a  
7 job you've done of learning all our terminology and  
8 taking a look through our statute so I want to  
9 challenge you with a question that's a little bit  
10 difficult and that has to do with price suppression.  
11 You've argued that you've had raw material cost  
12 increases and that you haven't been able to raise your  
13 prices sufficiently to cover those cost increases  
14 because of the competition from the Indian imports.  
15 In this case, the observed, what we call a cost price  
16 squeeze, what you've described, has coincided with a  
17 period of falling demand.

18 The statute requires us to consider  
19 suppression of price increases that otherwise would  
20 have occurred. That's the language from the statute.  
21 And so my question is in light of declining demand,  
22 how can we conclude that, you know, absent the  
23 underselling by the subject imports these price  
24 increases to cover costs otherwise would have  
25 occurred? Because frequently in a situation where the

1 economy's bad and demand is declining you wouldn't be  
2 able to pass on cost increases anyway. Is there  
3 something about this product that good times and bad  
4 you've been able to pass on cost increases until the  
5 Indian product came into the market, and why is that?

6 MR. M. BEAN: Well, I think we have a long  
7 history with a lot of our customers of not having a  
8 lot of price increases and when we come to them with  
9 price increases it's for justifiable reasons, and  
10 often, the larger ones will make us document those  
11 increases to be able to justify a price increase to  
12 them. During the period in particular of the summer  
13 of 2008, and I believe this is during the period when  
14 oil prices sort of spiked and it sort of created a  
15 whole environment of everybody was increasing prices  
16 on everything and we were literally getting a letter  
17 or a phone call a day for all of our materials for  
18 going up. We had the price of paraffin, which we use  
19 in the process which is an oil-based product, went up  
20 like --

21 MS. BARTLETT: Tripled.

22 MR. M. BEAN: It tripled in price over a  
23 short period of time. Everything was like that, all  
24 of our materials. We were desperate trying to figure  
25 out, you know, we had to get relief on that. We had

1 to get prices up. We weren't able to do it. We were  
2 able to do it with a couple of customers. We went to  
3 the larger distributors who we had long-term  
4 relationships with who were more interested in factors  
5 other than just price, and we could document to them  
6 what was happening to us and they accepted increases.

7 Other customers in the commodity end of it,  
8 in the plain white end of it could care less. As long  
9 as there was a competing price out there they wouldn't  
10 let us. We had to roll back our price increases. So  
11 that in particular was a very volatile situation.  
12 Prices leveled off, oil came back down, some of the  
13 materials came down a little bit, some of the urgency  
14 diminished, but the reality was still the same that we  
15 knew at that point that when it came to the low end  
16 plain white part of the business that we just weren't  
17 going to be able to get anything as long as the Indian  
18 price was out there.

19 CHAIRMAN ARANOFF: Okay. So would it be  
20 fair to say that absent the Indian product and its low  
21 prices you would have been able to have some success  
22 passing on cost increases simply because your  
23 customers didn't have a lot of other choices for  
24 suppliers and despite the fact that demand might be  
25 declining, the matchbooks that they needed, they

1 needed?

2 MR. M. BEAN: Yeah, I think that's fair to  
3 say. It wouldn't be easy. These customers, it's the  
4 same reason we haven't been able to -- you know, our  
5 prices are not as high as, you know, we would like  
6 them to be, even now. You can't just take them up  
7 arbitrarily or without justification, but that  
8 certainly we would have been in a much better position  
9 to explain the reality and to be able to get away with  
10 some kind of relief on it.

11 CHAIRMAN ARANOFF: Okay.

12 MS. BARTLETT: Frequently they do ask for  
13 justification, as Mike talked about, and, you know,  
14 we'll provide them with back up information on which  
15 costs have increased and why we need the price  
16 increase. When you present it that way it seems fair  
17 and they comply.

18 CHAIRMAN ARANOFF: Okay. That's helpful.  
19 Thanks. I think at the moment I may have exhausted my  
20 questions, so I am going to check to see if I have any  
21 more and turn it over to Commissioner Pinkert.

22 COMMISSIONER PINKERT: Have you turned it  
23 over, Madam Chairman? Okay. Thank you. I just have  
24 a few more questions. The first couple of questions  
25 ask you to look to the future a little bit. First

1 off, for both companies, if orders are imposed in this  
2 case, do you anticipate substantial new investment,  
3 new capital expenditures, going forward?

4 MR. BRADLEY: For commodity matchbooks, we  
5 wouldn't require any new capital investment unless we  
6 decided to upgrade our printing capacity. Initially,  
7 we have the equipment and we're ready to go.

8 MR. M. BEAN: From our perspective, again,  
9 there are some capital programs that we would like to  
10 be able to, that we had sort of on the drawing boards  
11 as far as being able to offer different kinds of  
12 packaging and some, you know, value added type  
13 features to the product that we would like to have the  
14 resources to be able to complete, and then plus, as  
15 Chris indicated, that we had other business plans to  
16 expand our product line that we would like to be able  
17 to have. Our equipment, other than the continuing  
18 kind of overall deferred maintenance, you know, that  
19 we've put off and some fine, you know, tuning of some  
20 things, then there wouldn't be an extensive capital  
21 investment.

22 COMMISSIONER PINKERT: Thank you. Ms.  
23 Bartlett?

24 MS. BARTLETT: I didn't have anything else  
25 to add.

1           MR. C. BEAN: I would just like to say that  
2 if we can get some of the things Mark was talking  
3 about in terms of just changing some of our packaging  
4 equipment so that we could deliver the type of  
5 packaging that was used in a few foreign countries  
6 where paper matches, book matches are used -- no?

7           MS. BARTLETT: It's proprietary.

8           MR. C. BEAN: Yeah?

9           MS. BARTLETT: Uh-huh. Our plans.

10          MR. C. BEAN: Yeah. Yeah, that's right.  
11 Okay. I won't comment.

12          COMMISSIONER PINKERT: Now looking to the  
13 future again, if orders are imposed in this case, do  
14 you have any thoughts about what is likely to happen  
15 with those nonsubject imports that we were talking  
16 about before?

17          MR. M. BEAN: Well, as I said before, I  
18 mean, bring them on. We'd be happy to have, you know,  
19 competition on a level playing field. We feel we can  
20 effectively compete with anyone.

21          COMMISSIONER PINKERT: Do you think they're  
22 likely to come back into the U.S. market in  
23 significant quantities?

24          MR. M. BEAN: I don't think so because I  
25 don't think any of the fundamental dynamics for those

1 companies would have changed regardless of the order,  
2 the tariffs from India.

3 COMMISSIONER PINKERT: Looking backwards, do  
4 you think that those nonsubject imports declined as a  
5 result of the subject imports?

6 MR. M. BEAN: Yes. I mean, well we think  
7 that one distributor in particular who was buying the  
8 Mexican product was in the process of negotiating with  
9 Indian companies we believe to buy product from them.  
10 That was one of the motivating factors for us to  
11 really take action to stop that from happening, and we  
12 did.

13 COMMISSIONER PINKERT: Now back to those  
14 demand questions that you've been hearing from several  
15 of the Commissioners. I understand that the cigarette  
16 market is in overall decline over a long period of  
17 time, and I understand also that cigar smokers don't  
18 necessarily use the same kind of matches or the same  
19 kinds of lighting devices as cigarette smokers, but  
20 can you give me first of all a view of whether demand  
21 in that industry or in that market is stable,  
22 increasing or declining?

23 MR. BRADLEY: Cigar smokers typically like  
24 to use a wood match. And it's even sometimes  
25 specialized in the chemical composition of the heads

1 where they want a sulfur free wood match, that demand  
2 is more stable than the rest of the either promotional  
3 matchbook or commodity matchbook industry, but I think  
4 in particular that kind of high end purchase, the  
5 cigar itself, and that's the corresponding wooden  
6 matches that would typically go with it, have declined  
7 as a result of the economy and smoking bans. But in  
8 general it's more stable than the rest of the other  
9 match segments because it's a hobby item.

10 MR. MARK BEAN: The only further comment is,  
11 we don't have precise, recent statistics. The best  
12 statistics we have go all the way back to that  
13 Consumer Product Safety, the report by Columbus  
14 Laboratories, although we have done some market  
15 research in more recent years that supported these  
16 same kind of statistics. But we believe that  
17 something like 95 percent of all paper matches are  
18 used to light cigarettes. So everything else like  
19 candles, like cigars, anything else is pretty much,  
20 you know, is not significant.

21 COMMISSIONER PINKERT: Do some of the same  
22 retailers that give out the matchbooks when there's a  
23 cigarette sale also give out those matchbooks when  
24 they make a cigar sale?

25 MR. MARK BEAN: I believe a lot of cigar

1 sale happen in cigar shops, and a lot of the cigar  
2 shops I think tend to do promotional matchbooks more  
3 than they do commodity matchbooks.

4 COMMISSIONER PINKERT: Thank you. Mr.  
5 Bradley, anything to add to that?

6 MR. JONATHAN BRADLEY: I would agree that  
7 cigar sales are often through cigar shops, and cigar  
8 shops by promotional product, and more than likely  
9 they're buying the wood product for a true cigar kind  
10 of shop.

11 COMMISSIONER PINKERT: Thank you. That's  
12 all I have. I appreciate it again, and I look forward  
13 to the posthearing.

14 CHAIRMAN ARANOFF: Vice Chairman Pearson.

15 VICE CHAIRMAN PEARSON: Thank you, Madam  
16 Chairman. Do you have any information on the status  
17 of the Triveni match plant in Mumbai, is it definitely  
18 closed down?

19 MR. GASTON: Well, based on some of the  
20 confidential material we have some understanding of  
21 that. The one thing I think is clear is that,  
22 whatever their current status, they've said they have  
23 the capability to resume production within a matter of  
24 just a few months.

25 VICE CHAIRMAN PEARSON: For those of you who

1 are accustomed to running matchbook factories, does  
2 that seem feasible, to bring a plant back on line  
3 within a period of a few months?

4 MR. JONATHAN BRADLEY: I would say so, given  
5 how labor intensive their operation is. In the United  
6 States when we're producing, to be anywhere in the  
7 ballpark of efficient our machines have to be running  
8 properly and running well. And they don't have that  
9 same kind of concern in India because so much more of  
10 their output is based on people as opposed to a  
11 machine running well. But it does take a long time to  
12 get a machine running well. So to say you're going to  
13 set up a match factory in the U.S. and get it running  
14 well in six months would be challenging, but to get  
15 product shipped in India, I'd say you could do it  
16 pretty easily.

17 VICE CHAIRMAN PEARSON: And on this record I  
18 don't think we have any information regarding the  
19 percentage of cost of production in India that might  
20 be related to labor. I know in this country you have  
21 a real good idea of what your labor cost is. Do you  
22 have any knowledge at all, would India's costs of  
23 labor be higher or lower in percentage terms than what  
24 we see in this country?

25 MR. MARK BEAN: I thought I remember seeing,

1 I think it was on the website of the International  
2 Trade Commission some sort of a guide where it lists  
3 the different labor rates in different countries, and  
4 the rate in India was 15 cents per hour.

5 VICE CHAIRMAN PEARSON: Yes, I can't vouch  
6 for that specific number, but I know that the per hour  
7 cost of labor in India is relatively low, and then Mr.  
8 Bradley made the point but they use more hours of  
9 labor to manufacture the same amount of quantity that  
10 we do, so that's why, if there was any way to quantify  
11 that I'd be interested, but it's perhaps not  
12 essential.

13 MR. JONATHAN BRADLEY: Well, as sort of an  
14 anecdotal comparison, I went to China and saw them  
15 making matchbooks there, which has a similar if not  
16 slightly higher wage base than I would imagine India  
17 does. And in China they were using five to ten times  
18 the amount of labor intensity we would use on a  
19 machine. But even if the labor rate's 15 cents an  
20 hour, you know, you're at \$1.50. So, you know,  
21 compared to what we pay our people and what I imagine  
22 the Beans pay their people, that's insignificant.

23 VICE CHAIRMAN PEARSON: Okay, I think I get  
24 your drift.

25 MS. BARTLETT: Commissioner Pearson, on that

1 issue.

2 VICE CHAIRMAN PEARSON: Yes.

3 MS. BARTLETT: I do remember some  
4 information in the Department of Commerce's  
5 verification cost report, would that be something that  
6 we could include in the posthearing brief for you or  
7 is that?

8 VICE CHAIRMAN PEARSON: Certainly, that  
9 would be good if --

10 MS. BARTLETT: If there's something in  
11 there.

12 VICE CHAIRMAN PEARSON: If it's convenient  
13 and allowed. And perhaps staff could correct me, do  
14 we already have that information on our record?

15 MR. DEYMAN: I'm George Deyman, Office of  
16 Investigation, we do not have that on the record.

17 VICE CHAIRMAN PEARSON: Okay, thanks. Those  
18 of you from Bean, I know you have an expectation of  
19 ongoing declines in domestic consumption of matches  
20 around the rate of 5 percent per year. If we do the  
21 math and we assume a linear trend, there's no  
22 consumption after 20 years, so I'm guessing that you  
23 may be expecting that at some point we'd read a  
24 plateau and that there would be some base demand that  
25 would not likely go away or at least it wouldn't go

1 away very fast. Is that an issue that you can discuss  
2 here in public, because I'd be interested in your  
3 thoughts on that, I mean is there some base demand  
4 that's going to sustain your industry over time? If  
5 you prefer not to discuss it in public I'd be pleased  
6 to know what you think in the posthearing.

7 MR. MARK BEAN: Well, I think we still  
8 believe that our product is a very suitable product to  
9 be used as an ignition device, and we don't expect  
10 that we are going to see reversals in the trends of  
11 cigarette smoking and we don't think we're going to  
12 see reversals in the trends of people using disposable  
13 cigarette lighters as the preferred ignition source,  
14 but we do think that matchbooks do make up a large  
15 market based on being an alternative ignition source.

16 It's very inexpensive, often given away free  
17 with the cigarettes, and people tend to lose lighters,  
18 they can have matches around to use as a back up, as  
19 an alternative, some people prefer them. And there is  
20 other uses even though right now a large part of our  
21 market is for lighting cigarettes, there are other  
22 uses of ignition that paper matches can provide. So  
23 we certainly expect that it's not going to go away  
24 completely, if it was going to go away we think that  
25 lighters would have already totally consumed us.

1                   VICE CHAIRMAN PEARSON: Okay, fair enough.  
2           I won't be here in 20 years to see what the status of  
3           the industry is at that point, but I think your point  
4           is well taken that there's likely to be some demand,  
5           that it doesn't just go to zero. My last question  
6           deals with the prospects for foreign market  
7           development. I understand that there are only a  
8           handful of countries that have the custom of using  
9           matchbooks, has there been effort over time to try to  
10          introduce these products to other countries; any  
11          prospect for that in the future?

12                   MR. MARK BEAN: Yeah, I mean we have had  
13          some history of attempts to introduce paper matches  
14          into other countries. It tends to be a product that  
15          it's difficult. Wooden matches are, in most  
16          developing countries around the world, wooden matches  
17          are the predominant light source. There's a number of  
18          factors involved as to why it's hard to break in with  
19          paper matches.

20                   The climate can be a factor, a more humid  
21          area the wooden match might be a preferred match over  
22          a paper match. And just the custom of giving away  
23          matches for free has not been established in most  
24          countries, so it's an uphill fight. I think the  
25          market for promotional matches, to be used in

1 restaurants and hotels, is pretty universal. But as a  
2 commodity product it really only has been established  
3 in a handful of countries and it's tough to break into  
4 new markets.

5 VICE CHAIRMAN PEARSON: Okay, well I note  
6 that a senior delegation from the country of Ghana  
7 seems to have quite a bit of interest in commodity  
8 matchbooks, but I don't know whether they are  
9 potential customers or not, but we're very glad that  
10 they're here.

11 MR. MARK BEAN: We'd welcome it.

12 MR. C. BEAN: If I could add something.

13 VICE CHAIRMAN PEARSON: Please.

14 MR. C. BEAN: Most countries right now use  
15 wooden matches to ignite tobacco products, but that  
16 same question was in the United States, you know,  
17 right up until Diamond bought the patent for the paper  
18 book match, and I think in a lot of countries there's  
19 going to be a transition from wooden matches, or it's  
20 possible there will be a transition from wooden  
21 matches, to paper matches and ultimately to butane  
22 lighters. But in some of the third countries or, you  
23 know, developing countries, there is the butane  
24 lighter is still prohibitive in cost and that the  
25 paper match might be able to make inroads and there's

1 a number of countries that we've been looking at of  
2 course.

3 VICE CHAIRMAN PEARSON: Okay, well I would  
4 like to thank you very much for your testimony in this  
5 hearing, it's been an interesting day. And, Madam  
6 Chairman, I have no further questions.

7 CHAIRMAN ARANOFF: Commissioner Okun.

8 COMMISSIONER OKUN: I think I just have a  
9 couple to finish up here. You had referenced the  
10 importance of the mid-Atlantic region, and, you know,  
11 just in terms of the number of demand questions we  
12 had, does that just track population or are more  
13 smokers in the mid-Atlantic region? I'm just curious  
14 about, you know, the regions, what are those demand  
15 differences?

16 MR. MARK BEAN: Yes, historically -- well  
17 certainly population does play a role. Historically  
18 urban areas are, there has been a greater tradition of  
19 giving away matches for free with cigarettes, and  
20 particularly in the Northeast and mid-Atlantic regions  
21 that tradition is the most well established. In areas  
22 like the southeastern United States, for two reasons,  
23 number one the climate is again a little more humid  
24 and so wooden matches have been historically more  
25 popular in the southeastern United States than paper

1 matches and the tradition never got established.

2           And there used to be a large manufacturer of  
3 wooden matches located in Louisiana who had a strong  
4 distribution market in that area. And so it is  
5 regional and it can have some influence by both  
6 climate and by urban areas, but it's the Northeast  
7 both by population and by tradition where it's the  
8 most common.

9           COMMISSIONER OKUN: Okay, thank you. And  
10 then, I know you've talked a little bit about the  
11 different distribution channels and where you sell  
12 your product, but I just want to make sure I  
13 understood, in terms of competition with the imports  
14 did you see the import competition in one channel of  
15 distribution, you know, with the distributors versus  
16 the retailers, and whether there's been any changes  
17 over the period of our investigation in that?

18           MS. BARTLETT: Primarily the competition was  
19 in the wholesale distributors, although we are aware  
20 of at least one retailer that did buy a container load  
21 and another distributor who distributes into  
22 supermarkets who was preparing to do that until we  
23 intervened. But primarily the wholesalers.

24           COMMISSIONER OKUN: Okay. And with that I  
25 don't think I have any other questions. I very much

1 appreciate your responses today. Thank you, Madam  
2 Chairman.

3 CHAIRMAN ARANOFF: Commissioner Lane.

4 COMMISSIONER LANE: Thank you, I just have a  
5 few more questions. I want to talk about the head of  
6 the matches, the striking part, is there any  
7 difference in quality among or between commodity  
8 matches and promotional matches?

9 MR. JONATHAN BRADLEY: Nothing meaningful.  
10 We sometimes make the promotional heads a little bit  
11 bigger for an appearance perspective.

12 COMMISSIONER LANE: Okay, is there a  
13 hazardous chemical waste following the production of  
14 your matches, and if so, what do you do with it and  
15 are there costs involved?

16 MR. JONATHAN BRADLEY: No, we recycle all of  
17 the -- we don't let anything go down the drain, we  
18 just keep reusing it until it eventually becomes a  
19 match.

20 COMMISSIONER LANE: Okay, thank you. Now, I  
21 think, is it my understanding that Bean produces its  
22 own power to run your facility from hydro? Okay, have  
23 you determined what it costs you to produce your power  
24 and how do you account for that?

25 MR. MARK BEAN: It is a supplemental. Our

1 factory is located in a textile mill that was built in  
2 the early 1800s using water power to run the factory.  
3 And over the years that was converted to the  
4 production of electricity, hydroelectricity. We still  
5 run that today. I think on average we get something  
6 like 15 percent of our total electricity consumption  
7 comes from our own power generator. It's not  
8 something that we're dependent on or have assigned  
9 hard numbers to.

10 COMMISSIONER LANE: But you can't produce  
11 enough to run your whole facility?

12 MR. MARK BEAN: No, like I said on average -  
13 - in the spring time when the snow is melting and we  
14 get higher numbers and in the summer time when it's  
15 dry or in the middle of winter we get virtually  
16 nothing.

17 COMMISSIONER LANE: Okay, I -- Mr. Bean, did  
18 you want to say something?

19 MR. C. BEAN: This past summer we had an  
20 awful lot of rain in Jaffrey, New Hampshire, and it  
21 was largely because we have our own watershed because  
22 we have Mount Mondadnock, and the entire watershed is  
23 included within the town boundaries. And for some  
24 reason or another, I can't remember when we had so  
25 much rain, that this particular year we were able to

1 generate I think 30 percent or close to it of our  
2 electrical power. But as Mark says, that can change  
3 depending on -- it's almost like a hobby for us  
4 because we use old generating equipment that breaks  
5 and sometimes it has to be repaired and there are long  
6 periods of time when we have to fix it, and there are  
7 droughts.

8           So we love it, and we also have a very very  
9 strong interest in environmental issues in fact --  
10 well, I won't go into that, but the river into which  
11 after it's generated electricity is one of the best  
12 trout streams in southern New Hampshire and recently  
13 found fresh water clams, which were thought, you know,  
14 practically extinct, propagating and thriving in that  
15 same river, which gives us a lot of satisfaction.

16           And like the Bradleys all of our, for  
17 instance our paper is all recyclable and the materials  
18 that we make the matches out of are not dangerous. We  
19 do have some solvents which we're actually very  
20 careful of and things like that for cleaning  
21 equipment. But basically we're all kind of  
22 environmentally oriented.

23           COMMISSIONER LANE: Okay, thank you. This  
24 is probably a question for your posthearing. What  
25 would each of your companies consider to be a

1 reasonable operating profit, and how much would you  
2 have to raise your prices to meet that target? And  
3 with that, I thank you for your answers and appreciate  
4 your being here. Thank you, Madam Chairman.

5 CHAIRMAN ARANOFF: Commissioner Williamson.

6 COMMISSIONER WILLIAMSON: Thank you, Madam  
7 Chairman. Just a few additional questions. Do I take  
8 it the reason why the only place where we can get the  
9 paper stock is in the United States is because the  
10 fact this is the only place people actually use paper  
11 matchbooks? Because I was just very struck by the  
12 fact that here is a product that you can only get here  
13 in the United States.

14 MR. MARK BEAN: Yeah, I think that is the  
15 primary reason, it is a specialty paper. It's treated  
16 with a chemical that prevents, it's a flame retardant  
17 chemical that prevents the afterglow in the matches.  
18 And so it is specialized, but because this is where  
19 the demand is the companies that have been able to  
20 produce it, developed the process to produce it, are  
21 all located here.

22 COMMISSIONER WILLIAMSON: Okay, thank you.  
23 I wondered about that. I was wondering if there's  
24 anything more you can tell us about why Triveni  
25 decided to come into this market? I mean it's a long

1 way away, as you said their only target market seems  
2 to be the U.S. market, so is anything additional that  
3 you haven't mentioned on this?

4 MR. MARK BEAN: Well, our opinion on that  
5 is, particularly because there is no domestic market  
6 for commodity matchbooks in India, that the whole  
7 company was based on being an export-only unit and  
8 that they were just taking advantage of the subsidies  
9 that were being offered to the very well established  
10 match industry in India to develop export-only  
11 markets.

12 COMMISSIONER WILLIAMSON: Okay, thank you.  
13 Okay, and the last question which just deals with  
14 price suppression. As the cost of cigarettes has gone  
15 up, is the cost of the matches a relatively less  
16 important thing to those people who are distributing  
17 with the cigarette sales? I mean I realize a lot of  
18 cigarette cost is taxes but even I think the basic  
19 cost of the cigarette tax has gone up. But I was just  
20 wondering what has happened to the price of the  
21 commodity matchbooks relative to the price of  
22 cigarettes, does that have something to do with how  
23 much somebody's willing to pay for the matchbooks?

24 MR. MARK BEAN: In the case of where the  
25 retailer gives them away with the purchase of

1 cigarettes, you could argue it a couple different  
2 ways. On the one hand because the cigarettes are so  
3 much more expensive the retailer would be, you know,  
4 as a percentage of the cost the match becomes that  
5 much smaller and the consumer would appreciate the  
6 free matchbook more. On the other hand, you know, in  
7 a tough environment of high prices the retailer would  
8 be less inclined to want to give something away, so  
9 you could really argue it either way.

10 COMMISSIONER WILLIAMSON: Okay, so?

11 MR. MARK BEAN: We don't have anything  
12 definitive on that.

13 COMMISSIONER WILLIAMSON: Okay, fine, thank  
14 you. But I wanted to express my appreciation for your  
15 answers, and thank you very much.

16 CHAIRMAN ARANOFF: Down to my last few  
17 questions. You've argued to us today and in your  
18 brief that in 2007 D.D. Bean severely reduced your  
19 selling prices in order to halt the slide in your  
20 market share. But I just wanted to clarify because,  
21 when we look at the unit value data that we have in  
22 our report, which are confidential, they are not  
23 consistent with price reductions of the magnitude that  
24 you're describing, you were talking about 30 to 50  
25 percent. Can you explain when you are talking about

1 reductions what you're talking about reductions from?  
2 Are you talking about reductions from a list price or  
3 reductions from what that person paid you the last  
4 time you sold to them? I'm trying to get a sense of  
5 where those 30 to 50 percent numbers were reductions  
6 from.

7 MS. BARTLETT: The 30 to 50 percent are  
8 reductions off our list price which we had been  
9 getting before we would cut it. And I think the  
10 reason why you don't see 30 to 50 percent in the unit  
11 value of the pricing data is because we didn't offer  
12 that to everybody we just, you know, did it where we  
13 absolutely had to, so it brings down the average but  
14 not by 50 percent.

15 CHAIRMAN ARANOFF: So there are instances in  
16 fact where for a particular producer they were paying  
17 you your list price or something close to your list  
18 price and then in the next transaction there was a  
19 reduction of 30 to 50 percent?

20 MS. BARTLETT: Right. And mostly the  
21 situation that Mark described earlier in the New York  
22 area was where a lot of the cutting was done.

23 CHAIRMAN ARANOFF: Okay, and one last  
24 question. You've also discussed your rise in costs  
25 and you talked about those very large increases in

1 things like paraffin and potassium chlorate that  
2 you've experienced, but the unit cost of goods sold  
3 numbers trend upward but not to the degree that you're  
4 describing for some of these individual cost elements  
5 but you've said a very large cost element. So I'm  
6 trying to reconcile that, is that because of cost  
7 cutting on the labor side?

8 MS. BARTLETT: Yes, the overall cost of  
9 goods sold, the cost cutting we did on the labor side  
10 definitely softened the impact of the increase on the  
11 raw materials side.

12 CHAIRMAN ARANOFF: Okay. I appreciate those  
13 answers. In both cases if there's something you want  
14 to add on the confidential record in posthearing that  
15 would be helpful. With that, I don't think I have any  
16 more questions. Are there any more questions from  
17 Commissioners?

18 (No response.)

19 CHAIRMAN ARANOFF: Do the staff have any  
20 questions for this panel?

21 MR. DEYMAN: I'm George Deyman from the  
22 Office of Investigations. The staff has no questions.

23 CHAIRMAN ARANOFF: Okay, well in that case  
24 since we don't have another panel coming up we are up  
25 to closing statements. And, Mr. Guston, you have five

1 minutes to make a closing statement should you so  
2 desire.

3 MR. GASTON: Well, thank you very much. And  
4 really I want to just say a very few words, it won't  
5 be anywhere near the five minutes. I do want to  
6 address some of the questions posed by the  
7 Commissioners in our postconference brief and I will  
8 do so. I want to thank everyone for their timed  
9 attention and their excellent questioning. I do want  
10 to mention, I think I can on the public record, that  
11 there is ample evidence throughout this record of lost  
12 sales, lost revenues, very significant price  
13 depression, price suppression as well, and the impact  
14 of the imports in respect to all those factors which  
15 the Commission looks at.

16 It may be that unit cost pricing figures  
17 don't fully reflect it, and I think the reason is  
18 largely because in many cases a leading particular  
19 distributor was pressing the domestic industry with  
20 not only actual purchases of imported product at  
21 incredibly low prices but with continued threats of  
22 expanding its purchases of imported product unless  
23 they got matching or nearly matching low prices from  
24 the domestic industry.

25 I'd also like to mention that in light of

1 the 66 percent dumping margin found by the Department  
2 of Commerce it's hard to imagine that any domestic  
3 industry facing that kind of dumping and approximately  
4 10 percent subsidies would not be injured. And I  
5 think, as I said at the beginning, in some ways this  
6 is an atypical case because it's a small industry,  
7 small companies within that industry, and it's also to  
8 some extent, everybody concedes, a declining market.  
9 But in other respects I think it is a prototypical  
10 case for relief because of the interim effect of the  
11 price suppressions, of the lost sales, the lost  
12 revenues, and the subsequent effect on employment and  
13 profitability and the operations generally of the  
14 domestic industry. Thank you.

15 CHAIRMAN ARANOFF: Thank you very much. I  
16 want to thank you all one more time for everything  
17 that you've contributed so far to this investigation  
18 and the further information that I know we'll be  
19 receiving in the posthearing. I also want to thank  
20 the Commission staff. It's one of those unusual  
21 situations that sometimes in small cases involving  
22 small companies that they work the hardest because  
23 they need to help you get up to speed on all our  
24 processes so that the process can work for you. So we  
25 thank the staff for that.

1                   Posthearing briefs, statements responsive to  
2                   questions and requests of the Commission and  
3                   corrections to the transcript must be filed by October  
4                   27th, 2009. Closing of the record and final release  
5                   of data to parties will take place on November 10th,  
6                   2009. And final comments are due on November 12th,  
7                   2009.

8                   With that, I don't believe there's any  
9                   further business before the Commission, and this  
10                  hearing is adjourned.

11                  (Whereupon, at 12:25 p.m., the hearing in  
12                  the above-entitled matter was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Commodity Matchbooks from India  
**INVESTIGATION NO.:** 701-TA-459, 731-TA-1155  
**HEARING DATE:** October 20, 2009  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

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:** October 20, 2009

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
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).

**SIGNED:** Micah J. Gillett  
Signature of Proofreader

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).

**SIGNED:** David W. Jones  
Signature of Court Reporter

