

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of:	)	
	)	Investigation No.:
CERTAIN STEEL NAILS FROM	)	731-TA-1185
THE UNITED ARAB EMIRATES	)	(Preliminary)

**REVISED AND CORRECTED COPY**

Pages: 1 through 109

Place: Washington, D.C.

Date: April 21, 2011

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Thursday,  
April 21, 2011

Room No. 101  
U.S. International  
Trade Commission  
500 E Street, S.W.  
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 8:45 a.m., at the United States International Trade Commission, CATHERINE DeFILIPPO, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

CATHERINE DeFILIPPO, DIRECTOR OF INVESTIGATIONS  
BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR  
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT  
FRED RUGGLES, INVESTIGATOR  
VINCE DeSAPIO, INTERNATIONAL TRADE ANALYST  
CLARK WORKMAN, ECONOMIST  
PATRICK GALLAGHER, ATTORNEY  
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

APPEARANCES: (cont'd.)

In Support of the Antidumping Duty Order:

On behalf of Mid Continent Nail Corporation:

DAVID W. LIBLA, President, Mid Continent Nail Corporation  
GEORGE J. SKARICH, Executive Vice President of Sales & Marketing, Mid Continent Nail Corporation  
CHRIS M. PRATT, Director of Internal Audit & Reporting Systems, Mid Continent Nail Corporation

ADAM H. GORDON, Esquire  
ROBERT E. DEFRANCESCO, III, Esquire  
Wiley Rein LLP  
Washington, D.C.

In Opposition to the Imposition of the Antidumping Duty Order:

On behalf of Dubai Wire FZE and Itochu Building Products Co., Inc.:

RUPAK VED, President, Dubai Wire FZE  
HARISH WAGHELA, Nominate Director, Dubai Wire FZE  
MONA ZINMAN, President, Itochu Building Products Co., Inc. and Co-CEO, Prime Source Building Products, Inc.  
JOHN HURWITZ, Vice President of Operations, Northeast Wholesale Nail and Fastener Supply Co.  
DONALD VETH, Vice President, Auxiliary Service & Hardware

NED H. MARSHAK, Esquire  
ANDREW T. SCHUTZ, Esquire  
Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP  
Washington, D.C.

On behalf of Precision Fasteners LLC:

JOHN M. GURLEY, Esquire  
Arent Fox LLP  
Washington, D.C.

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P R O C E E D I N G S

(8:45 a.m.)

1  
2  
3 MS. DeFILIPPO: Good morning and welcome to  
4 the United States International Trade Commission's  
5 conference in connection with the preliminary phase of  
6 antidumping investigation No. 731-TA-1185 concerning  
7 imports of Certain Steel Nails from the United Arab  
8 Emirates.

9 My name is Catherine DeFilippo, and I am the  
10 Commission's Director of the Office of Investigations,  
11 and I will preside at today's conference. Among those  
12 present from the Commission staff are, from my far  
13 right, Fred Ruggles, the investigator; Douglas  
14 Corkran, the supervisory investigator; Clark Workman,  
15 the economist; and Vince DeSapio, the industry  
16 analyst.

17 I understand the parties are aware of the  
18 time allocations. I would remind speakers not to  
19 refer in your remarks to business proprietary  
20 information and to speak directly into the  
21 microphones.

22 Speakers are not sworn in, but are reminded  
23 of the applicability of 18 U.S.C. 1001 with regard to  
24 false or misleading statements and to the fact that  
25 the record of this proceeding may be subject to Court

1 review if there is an appeal.

2 We also ask that you state your name and  
3 affiliation for the record before beginning your  
4 presentation. Are there any questions?

5 (No response.)

6 MS. DeFILIPPO: Hearing none, we will  
7 proceed with opening statements. Mr. Gordon?  
8 Welcome, and please begin your opening statement when  
9 you are ready.

10 MR. GORDON: Thank you. Good morning, Ms.  
11 DeFilippo and members of the Commission staff. My  
12 name is Adam Gordon from Wiley Rein, LLP. We're  
13 counsel to Mid Continent Nail Corporation, the  
14 Petitioner in this case.

15 With me this morning from Mid Continent are  
16 its president, Mr. David Libla; its Executive Vice  
17 President of Sales, Mr. George Skarich; and its  
18 Director of Internal Audit and Reporting Systems, Mr.  
19 Chris Pratt. I also am joined by my colleague, Robert  
20 DeFrancesco.

21 I'll note that we were supposed to be joined  
22 this morning by Mr. Peter Cronin of Davis Wire and by  
23 Mr. Tom Willcutt, president of Specialty Fastening  
24 Systems. As I have explained to the staff, both  
25 gentlemen have had last minute conflicts and will not

1 be able to attend. We would like to include Mr.  
2 Willcutt's testimony in the record, and both he and  
3 Mr. Cronin will be happy to answer questions that you  
4 may have.

5 This investigation is a necessary successor  
6 to the cases filed by the domestic industry four years  
7 ago which resulted in the imposition of an antidumping  
8 duty order on imports from China, but not from the  
9 UAE. Since 2008, the UAE industry effectively doubled  
10 its capacity, dedicated to exploiting the United  
11 States market.

12 Now with two large producers targeting the  
13 United States market, the UAE industry has used dumped  
14 pricing and growing levels of underselling over the  
15 period of investigation to take significant amounts of  
16 market share from the U.S. industry. They have used  
17 these tactics to aggressively grow their market share  
18 and to dramatically increase their import volume,  
19 which grew in absolute terms by nearly 150 percent  
20 over the period, even though demand dropped by over  
21 half, during the worst recession since the 1930s.

22 As you will hear this morning, this behavior  
23 is causing material injury to the U.S. industry and  
24 threatens the industry with further material injury if  
25 not stopped. This is not a case where the



1 difficulties of an industry are attributable to a  
2 recession only or to a failure to compete and produce  
3 quality product. The U.S. industry can and does  
4 compete with any product from any country that is  
5 fairly traded.

6 As the record shows and as you will hear  
7 this morning, this case is about the injurious actions  
8 of large UAE producers whose only market is the United  
9 States and U.S. importers who seem unable to control  
10 their addiction to dumped imports. Their behavior is  
11 causing material injury to what remains of the U.S.  
12 industry.

13 In light of this and based on the record, we  
14 ask that the Commission find that imports from the UAE  
15 are causing material injury to the domestic industry  
16 and threaten the industry with further material  
17 injury. Thank you.

18 MS. DeFILIPPO: Thank you, Mr. Gordon. We  
19 will be happy to accept the statements by Mr. Willcutt  
20 and Mr. Cronin, and I thank them in advance for any  
21 help they may give us in response to questions.

22 Next we will have opening remarks by those  
23 in opposition to the imposition of the antidumping  
24 duties. Mr. Marshak? Welcome, and please proceed  
25 when you're ready.

1           MR. MARSHAK: Good morning. I'm Ned Marshak  
2 of Grunfeld Desiderio. Accompanying me is Andy  
3 Schutz. We appear here today on behalf of Dubai Wire  
4 and Itochu Building Products in opposition to the  
5 petition filed by Mid Continent alleging an industry  
6 in the United States is materially injured or  
7 threatened with material injury by reason of certain  
8 steel nail exports from the UAE.

9           When we were first retained by Dubai Wire to  
10 represent them in this case, we looked at the data and  
11 saw the U.S. imports of UAE nails doubled from 2008 to  
12 2010 in the face of the greatest slump in the housing  
13 market many of us have seen in our lifetimes. We had  
14 no idea how we could win, and we were about to tell  
15 Mr. Ved, the president of Dubai Wire, that perhaps he  
16 should throw in the towel at the reasonable indication  
17 stage and save his money and efforts for the remainder  
18 of this case.

19           But before we could say don't bother, he  
20 told us I'm coming to the United States. I'm going to  
21 tell you why we are successful, and I'm going to  
22 testify on my behalf. And then he suggested we  
23 contact his customers so we could obtain the complete  
24 picture of conditions of competition in the U.S.  
25 market.

1           So we did, and our panel today includes Mona  
2           Zinman from Itochu Building Products, Dubai Wire's  
3           largest customer, and two smaller customers, John  
4           Hurwitz from Northeast Wholesale and Donald Veth from  
5           Auxiliary Service & Hardware. After discussing  
6           competitive conditions with Ms. Zinman and Mr. Hurwitz  
7           and Mr. Veth, we now know the reasons why Mr. Ved has  
8           been successful. And they are not based on price.

9           At this hearing, you are first going to hear  
10          Mid Con's side of the story. You'll be told that UAE  
11          exports have increased substantially, and you will be  
12          told that nails are commodity products which  
13          purchasers buy because of price, and you'll be told  
14          that Mid Con and the other domestic producers can  
15          satisfy all market demands. You'll be told that all  
16          you have to do is make an affirmative determination  
17          and impose an antidumping order on UAE nails and the  
18          domestic industry will be saved.

19          UAE imports in fact have increased, but the  
20          question for the Commission to answer is why. At the  
21          end of the day, we are confident the Commission will  
22          agree with us that Mr. Ved's success reflects his  
23          ability to produce 1,400 SKUs of nails of all types  
24          and to meet all the needs of his customers.

25          The domestic producers have never in the

1 past, do not now and cannot in the future meet the  
2 requirements of the U.S. market, and placing an order  
3 on UAE nails will not result in a dramatic increase in  
4 domestic sales.

5 I'd like to leave you with one final thought  
6 before you hear testimony from Mid Con and Dubai Wire.  
7 This is not the first time that Mid Con has urged the  
8 Commission to act. Most recently, in 2007 Mid Con  
9 alleged that Dubai Wire was selling its nails in the  
10 U.S. at a dumping margin of 105 percent, and Mr. Libla  
11 told the Commission that all it had to do was to  
12 impose an AD order and, and I quote from his testimony  
13 at the preliminary determination, "The U.S. industry  
14 will recover and be able to compete effectively again  
15 in our home market."

16 Counsel for Mid Con stated to the ITC, and I  
17 quote, "Purchaser statements that they would simply  
18 source other imports if they could not buy the Chinese  
19 product have not proven to be true."

20 So what happened? First, the Department  
21 found that Dubai Wire was not dumping at all. Zero  
22 margins. Not 100 percent. Second, U.S. purchasers  
23 decided the domestic industry could not meet their  
24 needs when an AD order was imposed on nails from  
25 China. Instead, they sourced the product from Taiwan

1 and then from the UAE.

2 We ask the Commission to remember this  
3 recent history, what Mid Con alleged and what actually  
4 occurred in considering the evidence of record in this  
5 case. In other words, fool me once, shame on you.  
6 Fool me twice, shame on me. We are confident the  
7 Commission will not be fooled again. Thank you.

8 MS. DeFILIPPO: Thank you very much, Mr.  
9 Marshak. We will now move into direct testimony of  
10 those in support of imposition of an antidumping duty  
11 order.

12 Mr. Gordon, if you and your panel would like  
13 to come up? Please proceed when you're ready. Thank  
14 you.

15 (Pause.)

16 MR. GORDON: Thank you. I'll start by  
17 saying I found Mr. Marshak's comments interesting.  
18 Recent history certainly is extremely relevant to this  
19 case, and we will come back to testimony of the  
20 parties in just a couple of minutes.

21 I would like to begin my comments this  
22 morning by reading a list of six companies that cannot  
23 be with us here today: Atlas Steel & Wire, Treasure  
24 Coast Fasteners, Inc., Wheeling-LaBelle Nail Company,  
25 Air Nail U.S. Fastener, Stanley Fastening Systems and

1 Phoenix Nail, LLC. These companies and their workers  
2 cannot be with us this morning because over the last  
3 three years they have been forced out of the domestic  
4 industry.

5 This list includes two companies that were  
6 Petitioners in the 2007-2008 investigation into  
7 imports from China and the UAE, namely Treasure Coast  
8 Fasteners from Florida and Wheeling-LaBelle Nail  
9 Company from West Virginia. It also includes one of  
10 the staunchest opponents of that case, Stanley  
11 Fastening Systems, which shut its nail plant in Rhode  
12 Island over the course of last year. The last company  
13 I mentioned, Phoenix Nail of Houston, Texas, went out  
14 of business just last month.

15 All in all, these companies represented tens  
16 of thousands of tons of productive capacity and  
17 hundreds of good paying jobs in hard hit areas across  
18 the country. Until they went out of business, they  
19 stood ready, willing and able to produce any of the  
20 nails that the Respondents will talk about today.

21 We are here this morning because Mid  
22 Continent, Davis Wire, Specialty Nail and the other  
23 remaining U.S. producers do not want to join that  
24 list. Mid Continent and the other producers that  
25 remain are efficient, productive operations that can

1 and do compete with imports from anywhere in the world  
2 so long as they are fairly traded.

3 Imports from the United Arab Emirates are  
4 not fairly traded. Rather than compete fairly in this  
5 market, the UAE producers have decided to dump and  
6 undersell their way to market share. These actions  
7 are injuring the domestic industry and should be  
8 stopped.

9 As you know, at the end of the 2007-2008  
10 investigation, imports from China were placed under  
11 order, but imports from the UAE were not. Since 2008,  
12 the UAE industry dedicated to exporting to the United  
13 States market has nearly doubled in size, and the two  
14 UAE producers, Dubai Wire and Millennium Steel & Wire,  
15 have aggressively cut prices to take more and more of  
16 the market. There's a story behind that that you'll  
17 hear more about from testimony from other parties.

18 Over the period of investigation, UAE  
19 imports have undersold the domestic industry by large  
20 and increasing margins, taking sales and forcing  
21 producers to lose revenue on the sales that they have  
22 kept. During a time when the U.S. economy experienced  
23 the worst recession since the Great Depression and  
24 when demand was sharply declining, UAE imports  
25 increased in absolute terms by nearly 150 percent.

1           This behavior stands in stark contrast to  
2 the behavior described four years ago by Mr. Rupak  
3 Ved, the owner of Dubai Wire. As this slide shows and  
4 as is shown in the handouts you received, Mr. Ved  
5 testified that nails from the UAE followed demand in  
6 the United States market and in fact described his  
7 company as being very sensible in a downward market.

8           I think it's worth reading this quote in its  
9 entirety, given its relevance. "Our volumes have been  
10 very consistent not only for the last three years, but  
11 even if you go before that. We have been very  
12 consistent with volumes. We have not been erratic. I  
13 mean, we have been very sensible in the downward -- in  
14 the construction industry. We have not been  
15 overproducing or anything like that. We have just  
16 been doing our job, following U.S. industry,  
17 construction industry."

18           Well, after managing to avoid being placed  
19 under order, Dubai Wire, soon joined by Millennium,  
20 revealed its true colors. The next slide on your  
21 handout shows housing starts over the period of  
22 investigation which are a principal indicator of  
23 demand and a driver of demand for steel nails. They  
24 are plotted against UAE import volume. As you can  
25 see, even while housing starts plummeted imports from



1 the UAE skyrocketed.

2           The behavior this illustrates is quite the  
3 opposite of an industry or company that is very  
4 sensibly following demand in the U.S. market. Indeed,  
5 UAE imports, which in 2008 accounted for 9 percent of  
6 imports, now account for over 27 percent, nearly as  
7 much import volume as Chinese imports. These  
8 producers have used dumped pricing to take market  
9 share from all sources of supply, but principally from  
10 U.S. producers. Our analysis in the petition  
11 indicates that UAE imports now have a larger share of  
12 the U.S. market than the U.S. industry has.

13           The impact of these actions has been  
14 predictable. In 2008, the domestic industry actually  
15 experienced some improvement due to the pending  
16 investigations and the imposition of duties on Chinese  
17 imports. When UAE import volumes surged and prices  
18 dropped, the industry returned to the same precarious  
19 state it was in before.

20           As I discussed a few minutes ago, no fewer  
21 than six more producers have stopped production in the  
22 United States over the last three years. In 2008, the  
23 industry had 14 producers. Today it has just eight.  
24 The few producers who do remain have lost massive  
25 amounts of sales and revenue and have been forced to

1 cut workers and hours and are operating at extremely  
2 low levels of capacity utilization, yet they make the  
3 same nails to the same standards of quality as any  
4 producer in the world, including Dubai Wire and  
5 Millennium.

6 You will probably hear the argument from  
7 Respondents that any difficulties experienced by the  
8 domestic industry are purely the result of the  
9 recession and its impact on the housing and  
10 construction markets and that UAE exports have  
11 absolutely nothing to do with it. With all due  
12 respect, any argument along those lines is impossible  
13 to square with the facts.

14 The recession certainly created challenges  
15 for the domestic industry, as it did for nearly every  
16 other industry in the United States and across much of  
17 the world, but the decline in the construction and  
18 housing markets, which is the principal driver of  
19 demand for steel nails, was already well underway in  
20 2008, the last time we were before the Commission, and  
21 yet the domestic industry experienced some improvement  
22 at that time due to the effect of the earlier case and  
23 the order on Chinese imports.

24 And given the steep declines in the housing  
25 and construction markets, the nearly 150 percent

1 increase in UAE imports can only be explained by the  
2 dumping and underselling that has been so prevalent  
3 and so harmful.

4 Thank you for your attention this morning  
5 and for your efforts in this preliminary  
6 investigation. I would now like to turn the  
7 microphone over to Mr. Libla.

8 MR. LIBLA: Good morning. I am David Libla.  
9 I'm the president of family-owned Mid Continent Nail  
10 Corporation. With me this morning are two other  
11 members of Mid Continent's team, George Skarich, our  
12 Executive Vice President of Sales, and Chris Pratt,  
13 our Director of Financial Reporting. On behalf of Mid  
14 Continent and our workers, I want to start by thanking  
15 the Commission staff for its hard work on this case.  
16 I know that the staff has been extremely busy recently  
17 with a spate of new cases, including ours.

18 I sat here less than four years ago to  
19 testify about the damage being done to our company and  
20 the industry by imports from China and the UAE. We  
21 filed those cases in 2007 because imports from both  
22 countries were injuring us. In its preliminary  
23 decision, the Commission agreed.

24 However, the UAE was not part of the  
25 Commission's final determination because Commerce

1 ruled that the UAE was not dumping. We strongly  
2 believe that decision was in error, and, as you can  
3 see from our petition, we believe Commerce will  
4 calculate significant dumping margins for the two UAE  
5 producers to be investigated.

6 Since the filing of the original case in  
7 2007, the steel nail industry, like our economy  
8 generally, has experienced some difficult times.  
9 Demand for steel nails is derived from both housing  
10 construction, shipping pallets and crating and other  
11 wood products utilizing nails.

12 From 2006 to 2009, the housing construction  
13 declined consistently year over year. The market has  
14 remained relatively flat since then. Pallet and  
15 crating consumption has also declined over this same  
16 period. Despite these declines, our company actually  
17 saw improvement in 2008 while the earlier cases were  
18 in their final phases.

19 But that improvement was short-lived. At  
20 the end of the original case, instead of seeing price  
21 increases, distributors like Prime Source simply  
22 switched to other low-cost suppliers in the UAE and  
23 drove pricing down further. In mid to late 2008,  
24 Millennium Steel & Wire joined Dubai Wire as the  
25 second major exporter of steel nails from the UAE. At

1 the time, Dubai Wire had an existing supply  
2 relationship with Hitachi, which we heard had broken  
3 down.

4 Dubai Wire's senior plant and sales  
5 management then left Dubai Wire and took the Hitachi  
6 business with them to Millennium, which at the time  
7 was primarily a wire drawer. When this was all  
8 occurring, the original investigation of the China  
9 Dubai case was ending, leaving Prime Source to look  
10 for another supplier of dumped nails. Apparently they  
11 found a willing partner in Dubai Wire, who had just  
12 lost their major U.S. customer.

13 Given the apparent toxic relationship  
14 between these two producers, it is not surprising that  
15 we have seen UAE pricing race to the bottom. Given  
16 Ms. Zinman's and Mr. Ved's presence here today, you  
17 might want to ask them about these events to better  
18 understand the pricing dynamics between these two  
19 producers.

20 In three years' time already Millennium is  
21 nearly the same size as Dubai Wire. Both UAE  
22 companies are essentially export platforms whose  
23 volume is directed almost entirely at the United  
24 States. These producers have moved aggressively to  
25 take U.S. market share by repeatedly reducing their

1 prices to increasingly lower levels resulting in a  
2 massive and growing surge of steel nails into the U.S.  
3 market.

4 By the end of 2010, the volume of steel  
5 nails from the UAE was approaching the volume from  
6 China. The UAE has taken market share from the  
7 domestic industry and we believe now surpasses the  
8 domestic industry's share.

9 We follow imports closely, and from 2008 to  
10 2010 by the end of the period imports from the UAE had  
11 increased by over 145 percent. This increase bears  
12 absolutely no relationship to demand, and there is  
13 simply no justification for such a massive surge in  
14 volume.

15 By contrast, imports from all other sources  
16 dropped by nearly 36 percent over the period. Their  
17 behavior has had predictable results. Over the last  
18 three years, since the earlier cases ended, our  
19 industry had lost another six producers and hundreds  
20 of jobs across the country. In fact, after the  
21 petition was filed we learned of another U.S.  
22 producer, Phoenix Nail in Houston, Texas, who shut  
23 down its operations a month ago.

24 Those of us who remain have seen our  
25 capacity utilization and profitability decline,

1 workers let go and hours reduced. We have had to  
2 reduce our prices to attempt to compete with UAE  
3 prices. More often than not, UAE prices are so much  
4 lower than ours we simply lose the sale without even  
5 getting a chance to compete.

6 As imports from the UAE pushed into the  
7 market over the last three years, we lost larger and  
8 larger sales volumes. These lost sales could have  
9 made the difference in whether Mid Continent would  
10 have been able to add another shift. For other U.S.  
11 producers, it probably would have meant the difference  
12 between staying in operation and shutting down.

13 While they have already saturated the  
14 market, UAE producers continue to offer more steel  
15 nails for sale and are again cutting their prices. In  
16 fact, as we noted in our petition, there is already  
17 substantial excess nail capacity among the two major  
18 UAE producers. There is simply no need for this  
19 additional capacity. Clearly this bears absolutely no  
20 relationship to demand either in the United States,  
21 the UAE or globally.

22 In the current market, even small amounts of  
23 dumped UAE imports will cause further injury to Mid  
24 Continent and the domestic industry. Four years ago,  
25 our industry was being injured by imports from the UAE

1 and we are still being injured by them today. That  
2 much hasn't changed. What has changed is the fact  
3 that capacity in the UAE targeting the U.S. market has  
4 doubled with its second major exporter entering the  
5 market. These producers will continue shipping to the  
6 U.S. market and have taken it upon themselves to take  
7 sales at any cost.

8 In short, we are here again today because  
9 what we knew would happen when we filed against UAE  
10 imports in 2007 did happen. Without relief from  
11 unfairly traded imports from the UAE, the U.S.  
12 industry's continued viability is threatened.

13 On behalf of Mid Continent and its over 250  
14 underemployed workers who cannot be here today, I urge  
15 the Commission to find that imports from the UAE have  
16 injured our industry and also threaten us with  
17 material injury. Thank you for your time. I'll be  
18 happy to answer any of your questions.

19 MR. GORDON: Next we'll turn to Mr. George  
20 Skarich.

21 MR. SKARICH: Good morning. My name is  
22 George Skarich. I am the Executive Vice President of  
23 Sales for Mid Continent Corporation. I have over 19  
24 years of experience in the steel nail and finished  
25 wire goods industries and have been with Mid Continent



1 now since 2007. Before joining Mid Continent, I was  
2 with another U.S. producer of steel nails for 16  
3 years.

4 As you just heard, Mid Continent and the  
5 rest of the domestic steel nail industry are being  
6 injured by low-priced imports from the UAE. Despite a  
7 deteriorating market since 2006, dumped steel nails  
8 from the UAE have surged into the U.S. market,  
9 stealing an increasingly larger share of the market at  
10 our expense.

11 You have just heard about the effects these  
12 imports are having on Mid Continent and the rest of  
13 the industry. I would like to discuss how these  
14 imports are affecting Mid Continent's ability to  
15 continue to sell steel nails.

16 Steel nails are commodity products. We all  
17 produce the same nails in bulk and collated to the  
18 same industry standards and specifications. They  
19 usually are made from steel wire, produced on similar  
20 types of equipment and have the same use -- to fasten  
21 two pieces of material, typically wood or other solid  
22 building materials, together.

23 Once a nail meets the necessary  
24 specifications, the only thing that differentiates an  
25 imported nail from a domestic produced nail is the

1 price. Any two nails that are produced to the same  
2 standards that have the same dimensions are physically  
3 interchangeable.

4 Both the domestic producers and the UAE  
5 producers produce and sell a full spectrum of steel  
6 nails through distribution channels. We even produce  
7 and sell private label nails to some longstanding  
8 customers despite the fact that it can dilute our  
9 brand. We also sell some nails directly to end users.

10 Distributors compete with each other to sell  
11 retailers, construction and industrial users  
12 throughout our country. Therefore, our nails and the  
13 rest of the domestic industry's nails compete in all  
14 channels of distribution with all types of nails sold  
15 by the UAE in the U.S. market. This is reflected in  
16 the import data that we monitor.

17 Both bulk and collated imports from the UAE  
18 have increased significantly since 2008. In fact,  
19 they have more than doubled. Our sales patterns show  
20 that as low-priced imports from the UAE increased we,  
21 like other domestic producers, have lost sales and  
22 have had to reduce prices to keep sales. Quite  
23 simply, imports of steel nails from the UAE have taken  
24 a significant of volume of orders that we would have  
25 otherwise received.

1            Since 2008, UAE nail producers have become  
2            the price leaders in the market and have taken sales  
3            volumes from us and other domestic producers. At the  
4            time the original 2007-2008 investigation was ending,  
5            two significant distributors in the market, Hitachi  
6            and Prime Source, entered agreements to begin sourcing  
7            extremely low-priced nails from the UAE. Hitachi  
8            sources nails from Millennium, and Prime Source  
9            sources nails from Dubai Wire.

10           Shortly after the earlier case ended, prices  
11           on nails from the UAE declined significantly. By the  
12           end of the third quarter of 2008, our market research  
13           indicates that UAE prices declined on average by  
14           nearly 23 percent. In the fourth quarter of 2008,  
15           prices for nails from the UAE declined on average by  
16           another 22 percent. By the second quarter of 2009,  
17           UAE nail prices had declined on average 47 percent.

18           These price reductions signaled the  
19           beginning of the price-based surge in nail imports  
20           from the UAE. Having used low prices to grow their  
21           share of market, UAE imports continued to surge into  
22           the market in late 2009 and 2010, taking more and more  
23           sales volumes as the gap between their prices and our  
24           prices grew.

25           Based on our calculations, by the end of

1       2010 UAE producers had more of the U.S. market than  
2       all of the domestic producers. At the end of 2010,  
3       UAE prices were so much lower we simply lost  
4       significant sales to customers we had traditionally  
5       supplied. These customers didn't even bother  
6       contacting us because the price difference was so  
7       large. They figured we could never match or beat that  
8       price.

9                 Wholesale distributors like Hitachi and  
10       Prime Source are extremely cost sensitive. Their  
11       ability to supply retailers and industrial users and  
12       ultimately their profitability is extremely dependent  
13       on their ability to purchase low-priced steel nails.  
14       These distributors have clearly chosen to increase  
15       their margins using dumped nails from the UAE and are  
16       doing so at the expense of our workers and our  
17       profits.

18                Many distributors do not carry large  
19       inventories of domestically produced nails because we  
20       and other domestic producers are able to deliver  
21       quickly. Because of this, increases in raw material  
22       costs have a more immediate effect on our ability to  
23       sell product. This is different from the way  
24       distributors handle imports. They typically keep a  
25       larger inventory of imports on hand to hedge against

1 the delivery problems and to help manage their average  
2 unit value inventory costs.

3 Our raw material costs have been volatile  
4 since 2008 and recently began increasing sharply. The  
5 increase in imports from the UAE at price levels well  
6 below market puts greater pressure on our prices and  
7 makes it difficult to recover increases in costs.  
8 Because UAE producers have become the price leaders in  
9 the market, as costs have increased we have been  
10 forced to delay price increases until the UAE  
11 producers react to changes in raw material costs. If  
12 we react too quickly, UAE producers simply use the  
13 prices to steal additional volume beyond what they are  
14 already taking.

15 As a result, because the UAE have become  
16 price leaders and our raw material costs have  
17 increased, we are having difficulty recovering our  
18 cost, which is impeding our profitability and  
19 threatens the future viability of our production  
20 operations. Given these market dynamics, the current  
21 increase in raw materials costs have made our prices  
22 even less competitive.

23 Going forward, not only have raw material  
24 cost increases placed pressure on our profits, but UAE  
25 imports are also limiting our ability to compete for

1 new orders altogether. Left unchecked, UAE  
2 underselling will only continue to grow, forcing even  
3 our most loyal customers to switch to UAE nails  
4 altogether.

5 Without relief from these unfairly traded  
6 imports, it will be difficult for us to maintain even  
7 our current levels of nail production. In the end, I  
8 would expect to see additional producers close their  
9 doors.

10 Thank you for your time this morning. I'll  
11 be happy to answer any questions to the best of my  
12 ability.

13 MR. GORDON: That concludes our  
14 presentation. We'd be happy to take any questions  
15 that the staff has.

16 MS. DeFILIPPO: Thank you very much, Mr.  
17 Gordon, and thank you to the company officials who  
18 have come today to speak with us and to answer our  
19 questions. It's always very helpful in hearing from  
20 you and being able to ask questions as it gives us a  
21 better understanding. I know it's difficult to get  
22 away from the office, so I appreciate you taking the  
23 time to come be with us.

24 We will start staff questions with Mr.  
25 Ruggles, the investigator. Any questions for this

1 panel, Mr. Ruggles?

2 MR. RUGGLES: I have one from Mary Klir, our  
3 auditor. She's not able to be here today, so I've got  
4 one for her.

5 She wants the Petitioners to provide some  
6 detail in their postconference brief regarding what  
7 are the primary projects, equipment, et cetera, in  
8 their reported capital expenditure.

9 As for me, they've been answering my  
10 questions all along so I'm very happy.

11 MR. GORDON: We'll be happy to supply that  
12 information. Thank you.

13 MS. DeFILIPPO: Thank you. Next we will  
14 turn to Mr. Gallagher, our attorney-advisor.

15 MR. GALLAGHER: No questions.

16 MS. DeFILIPPO: No questions. Mr. Workman?

17 MR. WORKMAN: I have just --

18 MS. DeFILIPPO: Clark, microphone?

19 MR. WORKMAN: I should know that by know I  
20 would think. I had a few questions for Mr. Skarich.

21 Now, as I understand it the main drivers of  
22 demand are what, new housing starts? What are the  
23 other things?

24 MR. SKARICH: Housing starts comprise the  
25 majority of the influence on nail sales; a smaller

1 portion in the industrial market for pallet  
2 construction and other wood-related products.

3 MR. WORKMAN: I had another question too.  
4 You mentioned all companies more or less compete in  
5 terms of price for things, but looking at all the data  
6 we've got from producers and importers it does seem to  
7 me for each of the product categories there is at  
8 least in some cases quite a lot of variability in  
9 price. There are some companies that seem to charge  
10 quite a lot more. Aren't there some differences in  
11 the products to some degree?

12 MR. SKARICH: From the standpoint of the  
13 pricing variances, it would be related to the actual  
14 nail type and style.

15 MR. WORKMAN: Okay.

16 MR. SKARICH: So there can be an expensive  
17 stainless galvanized nail versus a bright common  
18 smooth nail that's used for framing or construction,  
19 so the pricing differences could be related to that.

20 MR. WORKMAN: Would the most expensive  
21 things, though, normally compete with the higher  
22 volume things or would they be for specialized uses?

23 MR. SKARICH: They're for specialized uses  
24 in most applications.

25 MR. WORKMAN: Okay. One other thing I was



1 going to ask about the pricing, and this is my last  
2 question. It seems to me, looking at the data from  
3 quarter to quarter, the prices bounce around quite a  
4 bit. Do you find this is very typical?

5 Some products that's not true. You know,  
6 the products will gradually trend upward or trend  
7 downward at a slow rate. This seems to be something  
8 where it will bounce 15 or 20 percent in an individual  
9 company from one quarter to the next.

10 MR. SKARICH: You know, throughout the '90s  
11 and up until 2004 there was a lot of stability.  
12 Basically since 2004 multiple times steel increases  
13 have created that.

14 MR. WORKMAN: Oh.

15 MR. SKARICH: And so the fluctuations that  
16 you see have been very dramatic -- 2004, '06, '08,  
17 '09, again this year -- and that's strictly based on  
18 raw material costs of steel going up and down so  
19 drastically.

20 MR. WORKMAN: Okay. I don't have any other  
21 questions.

22 MS. DeFILIPPO: Thank you very much, Mr.  
23 Workman.

24 Mr. DeSapio, do you have questions for this  
25 panel?

1                   MR. DeSAPIO: Just one question. I was  
2 wondering why roofing nails are not part of the  
3 investigation.

4                   MR. GORDON: This is Adam Gordon. I'll try  
5 to take a stab at that. We have defined the like  
6 product in this case to be co-extensive with scope.  
7 Scope excludes roofing nails.

8                   That's consistent with the Commission's  
9 approach in prior cases, the case on collated roofing  
10 nails a few years back where those were viewed as a  
11 single like product, and we've taken that approach for  
12 consistency. That reflects what we see in the market  
13 as well.

14                   MR. DeSAPIO: Thank you.

15                   MS. DeFILIPPO: Thank you, Mr. DeSapio.  
16 We'll now turn to Mr. Corkran.

17                   MR. CORKRAN: Douglas Corkran, Office of  
18 Investigations. Thank you all very much for your  
19 testimony. It's been very helpful. I do have a few  
20 questions which reflect my own novice status in this  
21 particular product.

22                   The first one I'd like to ask is you noted  
23 that six nail companies have exited the domestic  
24 industry over the past several years, and then also in  
25 your testimony you mentioned that even for the

1 remaining producers capacity has been declining and  
2 employment has been declining.

3 One of the things I wanted to know was for  
4 the remaining producers have you seen any sort of  
5 benefit from the closure of your domestic competitors?  
6 Has that been reflected in any way in your ongoing  
7 operations?

8 MR. LIBLA: David Libla. We have seen some  
9 benefit -- our company has -- as a result of some of  
10 the other closures. A couple of the other closures,  
11 we bought their business. When they closed the  
12 business we bought their assets and we got some  
13 customers with that, so that has helped us throughout  
14 this period.

15 MR. CORKRAN: Is this the type of industry  
16 -- when you said some of the customers came with them,  
17 are there contracts? Are these long-term customers  
18 that you essentially buy a customer list almost, or is  
19 it they naturally migrate to you as the next most  
20 viable supplier?

21 MR. LIBLA: No long-term contractual  
22 agreements. They just naturally migrate.

23 MR. CORKRAN: One of the things I was  
24 wondering about, looking at the list of U.S. producers  
25 from the last case that the Commission looked at

1       nails, there were a large number of production  
2       establishments that covered a wide swatch of the  
3       United States, but with this many closures has there  
4       been an opening in terms of regional coverage for the  
5       domestic industry?

6                Are there now parts of the country that you  
7       are no longer able to cover by virtue of these  
8       closures?

9                MR. SKARICH:  George Skarich.  No.  In fact,  
10       we've begun to expand our coverage of the United  
11       States in the last two years.

12               We did have the advantage of the Chinese  
13       case filed and because of that had some opportunities.  
14       They were short-lived unfortunately, so the  
15       significant pressure of the pricing from UAE is  
16       changing that rapidly, but we now cover all but I  
17       believe two or three states in the entire United  
18       States.

19               MR. GORDON:  This is Adam Gordon.  If I  
20       could just make one factual point?

21               If you look at the list of U.S. producers  
22       who are remaining in business, you'll see that they  
23       cover a wide geographic area ranging from California  
24       to Missouri, Arkansas, Illinois.  I'm sure that I'm  
25       missing a couple, but they are still spread throughout

1 the country. Thank you.

2 MR. CORKRAN: One of the statements that  
3 particularly caught my attention, especially in light  
4 of the opening where Mr. Marshak stressed the very  
5 large number of SKUs covered by the UAE producers or  
6 available from the UAE producers.

7 Mr. Skarich, I believe you testified that  
8 U.S. producers sell a full range of products through  
9 the distribution system. Can you expand on that  
10 statement? Are you referring to the fact that  
11 cumulatively all U.S. producers sell a range of  
12 product that taken in total covers the full range of  
13 nails, or do you mean that individual producers  
14 produce the full range of nails?

15 MR. SKARICH: George Skarich. In our case,  
16 as the largest domestic manufacturer left, we are  
17 fully capable of making all if the conditions were  
18 right and we could get a reasonable return for that  
19 investment.

20 In terms of the rest of the domestic  
21 industry, there are different styles of manufacturers  
22 that make different things -- some just specialty  
23 products and some just framing nails -- so there is  
24 some variance in the market, but in terms of the  
25 available capacity for all the domestic producers

1 there's plenty of capacity to replace all the nails  
2 coming out of UAE.

3 MR. CORKRAN: I don't mean this to be a  
4 leading question, but for a company that has wide  
5 geographic representation, that has a full range of  
6 products, to the extent that the distribution system  
7 includes companies that are seeking to buy a full  
8 range of nail products are they just not coming to you  
9 or are there other considerations whenever you  
10 negotiate for these potential sales?

11 MR. SKARICH: George Skarich. Our  
12 considerations are strictly based on the availability  
13 to make a profit selling those items. Over the last  
14 10, 12 years, that has become more and more difficult  
15 depending on what portion of the product line you're  
16 talking about.

17 So we're fully capable of producing them.  
18 We make a company strategic choice based on the return  
19 on our investment to not do that, but we are  
20 definitely available to do it under the right  
21 circumstances.

22 MR. CORKRAN: And in terms of I believe you  
23 mentioned that Mid Continent had picked up some of the  
24 assets from some of the companies that had exited the  
25 domestic industry.

1           Has that in any way changed your product mix  
2 or broadened in any way your ability to provide the  
3 full range of products, or did that exist even before  
4 you picked up some of these additional assets?

5           MR. SKARICH: There's no question that the  
6 assets that we picked up in the last few years has  
7 broadened our ability to produce other things that we  
8 weren't able to do prior.

9           David might be able to expand on that a  
10 little more, but --

11           MR. LIBLA: David Libla. We have  
12 continuously looked for and expanded our SKUs that we  
13 manufacture at our companies as far as our company is  
14 concerned, and we're currently today in the process of  
15 a new product line going on line this year in a  
16 different type of nail collation.

17           And so when looking through the catalog that  
18 I saw last night from Prime Source that they offered,  
19 there's nothing in their catalog except screws and a  
20 few small items -- very small items, a very small  
21 portion of the whole market -- that we don't have the  
22 ability to manufacture or don't manufacture.

23           MR. CORKRAN: Thank you. That is very  
24 helpful to get a better understanding of some of those  
25 items.

1           In looking at pricing, several times this  
2 morning the price of steel has been mentioned and the  
3 trend in steel costs has been mentioned. Is there a  
4 mechanism by which you can pass through changes in  
5 steel costs such as using multipliers or other sort of  
6 pricing mechanisms, or are negotiations typically  
7 transaction by transaction where you basically have to  
8 negotiate any change in price up or down?

9           MR. SKARICH: Since the fall of the housing  
10 market in 2006, and especially since 2008, I would say  
11 that the lion's share is strictly on a negotiation  
12 basis and our ability to pass along the increases in  
13 steel is only based on our ability to remain  
14 competitive in the marketplace. And we do the best we  
15 can to do that in a timely fashion, but we're forced  
16 to remain in this market, keep that spread as tight as  
17 possible to get any orders.

18           MR. CORKRAN: You've mentioned in particular  
19 the role of Itochu and PrimeSource as distributors in  
20 the U.S. market, other than the source of the nails  
21 that they distribute, do they differ from other  
22 distributors in the way they interact in the  
23 marketplace, is there something distinctive about  
24 those two companies as distributors, or are they  
25 generally typical of distributors in the nail market?



1           MR. SKARICH: Other than size, they're  
2 typical of other wholesale distributors in the  
3 marketplace.

4           MR. CORKRAN: I was wondering because you  
5 had also mentioned earlier that a particular business  
6 model that they pursued was to hold substantial  
7 volumes of a wide range of product and inventory, is  
8 that typically the role of distributors in the nail  
9 market?

10          MR. SKARICH: It depend on whether they're  
11 sourcing product from off-shore, or what percentage of  
12 that is. Those that do source product predominately  
13 from off-shore have to carry larger inventories based  
14 on the timing that it takes to get it from whatever  
15 part of the world it is to this country.

16                 Anyone that is supporting domestic  
17 production has the capability of not, based on the  
18 speed of which we can react to an order and get it  
19 into their distribution warehouse.

20          MR. LIBLA: Mr. Corkran, if you don't mind,  
21 I'd like to add to George's comment.

22                 Really, we typically have to wait for them  
23 to move, meaning the Dubai or the UAE producers we  
24 have to wait for them to move in the marketplace most  
25 of the time for us to be able to increase prices based

1 on -- even if our steel prices are going up, we still  
2 have to sit and wait for them to move as maybe theirs  
3 would move. But that inventory difference sometimes  
4 can be painful for us. Thank you.

5 MR. CORKRAN: Thank you.

6 And one last point of clarification for me,  
7 and that is, if the distributors that handle primarily  
8 U.S.-produced nails do not themselves carry  
9 substantial and widespread types of nails in their  
10 inventory, do you yourself produce for inventory? Do  
11 you take on the obligation of maintaining substantial  
12 volumes of inventory or do you simply produce to order  
13 -- I don't mean simply, but do you instead produce to  
14 order?

15 MR. SKARICH: George Skarich. Nearly 95  
16 percent of all of the orders that we take are pulled  
17 from inventory. It's kind of the 80/20 world. Eighty  
18 percent of what you know is in the marketplace is  
19 constant and so our customers rely on our inventory  
20 and we carry a large inventory to be able to react in  
21 a timely manner. A very small percentage of it is  
22 actually made-to-order.

23 MR. CORKRAN: Again, I want to thank you all  
24 very much for appearing before us. It really helps us  
25 a great deal to hear directly from market participants

1 in terms of what's going on in the marketplace, so  
2 thank you all very much.

3 MR. SKARICH: Thank you.

4 MS. DEFILIPPO: Thank you, Mr. Corkran.

5 And actually, you and I were on the same  
6 wave length with many questions and I've crossed out a  
7 lot of mine that I've made over the course of the  
8 testimony. I think I have a couple left just to ask.

9 In Mr. Marshak's opening statement, and I  
10 think Mr. Corkran touched on this a little, I believe  
11 he made a statement about the imports for the UAE were  
12 increasing, but we should really ask why that the U.S.  
13 industry couldn't meet the requirements.

14 And it sounds like from your testimony that  
15 there's not a product-offering issue. It's not like  
16 they're supplying one certain type that you can't  
17 make. It sounds like your product range is pretty  
18 broad. But just over the course of the period, and  
19 you have mentioned that there is available capacity  
20 with which you could supply the market.

21 During the period that we're looking at,  
22 2008, '09, and '10, were there any instances where you  
23 had any supply disruptions that would have caused you  
24 not to be able to get product out to the customers in  
25 the quantities or product specs that they were

1 requiring?

2 MR. SKARICH: George Skarich. No.

3 MS. DEFILIPPO: That was easy. You talked a  
4 little bit, I believe, throughout your testimony and  
5 in response to some questions about the decline in the  
6 housing market and when that started and how that  
7 affected your demand. Have you seen any improvement  
8 in the last six months or so, and where do you see  
9 demand going in the next year? Have there been  
10 improvements and will you see that affecting your  
11 products?

12 MR. SKARICH: George Skarich. From our  
13 standpoint, we see the market remaining relatively  
14 flat over the next two years. Three to five years,  
15 limited small growth, just based on what's going on in  
16 our economy and the restrictions that will still be  
17 placed on the housing industry, and we'll just  
18 continue to do the best we can do. Grow with wherever  
19 there is growth in the marketplace since we do cover  
20 the whole country.

21 MS. DEFILIPPO: Without having looked at any  
22 of the actual price data for the subject product, I  
23 would assume that -- we've talked about different  
24 types of nails -- bright, galvanized, et cetera. That  
25 there is a range of prices. And as demand declined

1 and the economy was struggling, did you see any  
2 changes in product mix where maybe your customers were  
3 buying similar amounts, but maybe a lower-priced one  
4 or was the product mix fairly stable throughout the  
5 period?

6 MR. SKARICH: George Skarich. There  
7 actually were changes. Under the pressure in the  
8 distribution channels all the way down to the end  
9 users, with the end user looking for opportunities to  
10 save every penny they could, shank sizes changed to  
11 smaller shank sizes, lengths changed. So there's been  
12 a change across the board in some of the industry.  
13 Not specifically in housing because of the engineering  
14 specifications that are required, but in the pallet  
15 industry no question that in the last few years the  
16 nails have actually gotten smaller. So there has been  
17 that change.

18 In terms of the entire market, prior to the  
19 downturn in the economy in 2006, there were regional  
20 differences in nail prices. And that has all but gone  
21 away and you can pretty much buy a framing nail from  
22 coast-to-coast, border-to-border for the same price.

23 MS. DEFILIPPO: Is there any seasonality to  
24 this? I mean I would think that if it's tied to the  
25 construction industry you may see some in warmer

1 climates or warmer times of the year.

2 MR. SKARICH: George Skarich. From our  
3 standpoint, there is very little seasonality, mainly  
4 because of the large production is in the southern  
5 half of our country. So where there is seasonality in  
6 the northern part of our country they also don't build  
7 nearly as many house and as many structures.

8 In the pallet industry, very little because  
9 the flow of traffic around our country is so  
10 consistent, so there may be some blips on the screen  
11 occasionally, based on Christmas or some other  
12 seasonal thing, but they're very short. And so from  
13 our standpoint, there's very little seasonality.

14 MS. DEFILIPPO: Okay. Thank you.

15 Are there any Buy American provisions that  
16 apply in this industry where you have customers that  
17 for certain government project or something may  
18 require U.S. product over imports?

19 MR. SKARICH: George Skarich. That has  
20 begun to improve. Unfortunately, it's a very, very  
21 small percentage of the overall market and that  
22 information is coming through the distribution  
23 channels rather than to us, so we're not involved in a  
24 direct basis in that manner. So whatever is let comes  
25 through a customer who then is required to determine

1 what to do with that. And so we quote stuff through  
2 the customer channels, but even if were to get all of  
3 it, it's still a very, very small percentage of the  
4 market.

5 MS. DEFILIPPO: Thank you.

6 My last question, Mr. Gordon, I think in  
7 your testimony you talked a little bit about the  
8 quantity of nonsubject imports actually declining  
9 during the period, am I remembering correctly?

10 MR. GORDON: Yes.

11 MS. DEFILIPPO: And in terms of that, sort  
12 of looking at the price levels of nonsubject imports  
13 relative to the UAE, are they generally higher, lower,  
14 same, depends on what time we're looking at?

15 MR. GORDON: Our analysis shows that across  
16 the period the AUVs of UAE imports were below all  
17 other nonsubject ports. And what you see in the  
18 import data is that -- in the import data and in our  
19 analysis U.S. producers and nonsubject imports all  
20 followed the demand down, whereas the UAE imports took  
21 an entirely contrary course, even while their AUVs  
22 dropped increasingly over the period.

23 MS. DEFILIPPO: Okay. Thank you. That's  
24 very helpful.

25 I have no further questions. I'll just

1 quickly look side-to-side. Anyone else?

2 (No response.)

3 MS. DEFILIPPO: I guess we are done with our  
4 questions. Again, I think you all very much for  
5 coming and answering our questions. It's been very  
6 helpful.

7 And with that, this panel is dismissed.

8 MS. DEFILIPPO: We will now move to those in  
9 the opposition to the imposition of an anti-dumping  
10 duty order.

11 Welcome back to the table, Mr. Marshak and  
12 welcome to all the members of the panel. Thank you  
13 for coming. And Mr. Marshak, please proceed when you  
14 and your panel members are ready.

15 MR. MARSHAK: We're going to get right into  
16 our industry witnesses, and I may or may not have  
17 something to say at the end. But we will start with  
18 Mr. Ved from Dubai Wire.

19 MR. VED: Good morning. We are back. I  
20 mean after going through the DOC, I think we have  
21 proven that we were not dumping. Dubai is a free  
22 economy, and if we don't make profit, we get no  
23 support from the government or anybody and we would be  
24 wiped out.

25 Frankly, you know there was anti-dumping



1 imposed on China. I mean it's obvious that the  
2 industry here did not benefit from it. It just went  
3 to some other country. So if you were going to apply  
4 it and succeed, it's just going to go somewhere else.  
5 And I have two reasons to explain for that.

6 Economy from 2008 to now has been in  
7 extremely bad shape, as we all know. And to top with  
8 that, the price of steel has been extremely erratic,  
9 so prices going down or up. It's been very difficult.  
10 We, in our relationship with our customers, have been  
11 able to establish a pricing mechanism, which is driven  
12 by the raw material costs.

13 And in today's day, the prices move, not in  
14 a quarterly basis, but on a monthly basis. And we  
15 have been able to establish a relationship -- I mean  
16 pricing based on that and the mechanism is  
17 confidential, however, we should be able to provide to  
18 you at a later date and submissions.

19 A lot has been said about being able to  
20 produce all types of products. We do produce all  
21 types of products. And with the introduction of ACQ,  
22 which is the lumber code which requires hot-dip  
23 galvanized product.

24 Yes, people can have it done outside, but  
25 it's a very difficult product and we do it and more

1 than 20 percent -- I don't know the exact numbers. We  
2 will provide you the exact number, but very high  
3 percentage of our business is hot-dip nails. Now this  
4 is absolutely necessary for many parts of U.S. and we  
5 do that for the last 30 years in house capability. We  
6 don't subcontract it. We do it in house. And to  
7 supply hot-dip product with a very specialized type of  
8 collation, which is very difficult.

9           For instance, you can weld a nail where you  
10 have a lot of zinc on it. You can, but it's very  
11 difficult. Very few people do it or can do. So we've  
12 been doing this for 29 years and people like this and  
13 people want it. So it's not price driven because if  
14 we didn't make money we just couldn't exist and be  
15 able to make very good money because of the many  
16 different types of products.

17           A lot of people say they can do all  
18 different tasks, but they're not doing it yet. And  
19 you have to prove to the industry that you are  
20 capable.

21           There has been a major shift, as everybody  
22 knows, the housing starts have gone down  
23 significantly. However, there is the other part of  
24 the -- and we saw this happening. We saw this coming.  
25 And there is a shift in the way people buy this

1 product and a lot of this has moved to the home  
2 centers.

3           And we partnered with PrimeSource to capture  
4 that business rather than competing and fighting for a  
5 small piece of pie. So we were able to produce and  
6 change our strategy to rather fighting for the new  
7 construction business to maintenance and repair  
8 business, which is substantial in a downward economy  
9 because people tend to repair their homes at this  
10 time.

11           So our strategy has been that we have now --  
12 again, I can reconfirm the numbers in confidentially,  
13 but our business has moved traditionally from starter  
14 business to the big supply chain business more than 50  
15 percent. Now this would have not been possible  
16 without partnership. And it was our strategy decision  
17 to partner up with PrimeSource.

18           Talking about increasing capacity, we have  
19 not increased any capacity. We are even running today  
20 from our install capacity less than 65 percent. We  
21 are just going for whatever we can sell profitably,  
22 not just -- if there are no producers -- actually, we  
23 find and we have a definite plan of producing in the  
24 United States before the end of this year because  
25 there is need for it and this is more profitable. And

1 we think we can service it better because the existing  
2 people cannot service it.

3 So once again, I think it is unfair that we  
4 have to go through this again when we've already  
5 proven that we are not dumping. And I thank you for  
6 listening to me and I appreciate everybody's -- I'm  
7 done.

8 MS. ZINMAN: Good morning. My name is Mona  
9 Zinman. I am president of Itochu Building Products  
10 and co-CEO of PrimeSource Building Products. And like  
11 Mr. Ved, this is my second recent trip to Washington,  
12 D.C. to appear before the Commission to discuss  
13 competitive conditions in the nail industry.

14 In case you don't remember me, let me give  
15 you some brief background on Itochu and PrimeSource  
16 and my own role in the nail industry.

17 Itochu imports nails from around the world,  
18 which it sells to its sister company PrimeSource, the  
19 largest distributor of nails in the United States.  
20 PrimeSource maintains 34 distribution centers in 28  
21 states. We currently employ well over 1000 American  
22 workers, and I took offense to being categorized as  
23 typical by Mid Continent.

24 Our primary sources of supply for nails are  
25 the UAE, Taiwan, and China. But we also source nails

1 from Malaysia, Korea, Mexico, and the United States.  
2 In addition to importing, during the past three years  
3 we've also been a customer of American nail  
4 manufacturers as well, buying from Maze Nail, Davis  
5 Wire, Phoenix Nails, Senco, Paslode, Swan Secure,  
6 Wheeling Labelle and Puerto Rico Steel.

7 We stock literally thousands of SKUs of all  
8 types and sizes of nails and sell our nails in all  
9 markets throughout the United States. We have over  
10 10,000 customers, the two largest of which are Home  
11 Depot and Lowe's. And when you visit any one of their  
12 3700 stores throughout the United States, you will  
13 find a full range of more than a hundred SKUs of our  
14 Grip Rite brand of hand-drive nails and collated nails  
15 prominently displayed in retail boxes as small as 1.5  
16 pounds, along with larger buckets, 50-pound cartons,  
17 and 1000-piece plastic tubs.

18 As for me, I've been involved in the U.S.  
19 nail business since I was 15-years old, when at which  
20 point I abandoned my first career goal as being the  
21 next Madonna. I have never had another job, never  
22 worked in another industry. I've traveled overseas  
23 extensively, visited nail around the world and been  
24 involved in every facet of this business from  
25 operations to logistics to purchasing.

1           I began working when Japan was the main  
2 country supplying nails to the United States. I have  
3 seen nail production move from Japan to South Korea to  
4 Taiwan and then to China as well as the UAE with  
5 several of these shifts being caused by what seems to  
6 be an almost constant series of trade case brought by  
7 American companies through the years.

8           I sincerely believe that if Mid Continent  
9 had devoted the same time and energy to improving  
10 their customer relations, investing in R&D and quality  
11 control and developing a strong distribution system as  
12 it has to filing petitions with the government to  
13 curtail competition it would have had a much larger  
14 presence in the market than it has today.

15           Just as every single petition before it, the  
16 petition which Mid-Continent filed in 2007 did not  
17 result in a significant increase in its share of the  
18 U.S. market. It did not result in our sourcing of  
19 nails from Mid-Continent or increasing our purchases  
20 from other mills in the United States. And if a  
21 dumping duty order is placed on nails from the UAE, I  
22 can tell you categorically with 100 percent certainty  
23 that it not result in even one penny of additional  
24 business from us to Mid Continent or any other U.S.  
25 nail producer.

1           When I testified in 2007, Itochu's primary  
2 sources of supply were China and Taiwan, and I tried  
3 to explain to the Commission why assessing additional  
4 duty on nails from China would not benefit Mid  
5 Continent or any other manufacturer.

6           Let me quote to you what I said back then.  
7 "While there are, we estimate, over 1000 types of  
8 nails demanded by the market, many of these are not  
9 commercially available in the United States. The U.S.  
10 nail producers do not make many of the nails sold in  
11 the market, or if they make them the quantities are so  
12 small that they are meaningless when considering USA  
13 demand. Now the point is they don't make them. They  
14 never made them. They may theoretically could make  
15 them, but in 150 years of the nail business in this  
16 country they don't make them."

17           Theoretically, if you gave me a golf club, I  
18 can hit the ball as well as Tiger Woods. And  
19 theoretically, if you give a tennis racket, I can hit  
20 the ball as well as Venus Williams. Theoretically,  
21 Mid Continent, if they put more nail machines in or  
22 turn them on, can make all the nails sold in the  
23 United States and service the needs of the entire nail  
24 industry, but fantasy is fantasy.

25           Unfortunately, the Commission disagreed with

1 my opinion and an anti-dumping order was imposed on  
2 nails from China. Now four years have passed and  
3 history has confirmed that my prediction was accurate.  
4 The restriction placed on Chinese nails has not  
5 resulted in a remarkable turnaround for companies  
6 manufacturing nails in the United States. They still  
7 do not make many types of nails sold and they won't  
8 make them in the United States any time in the future.

9 And most importantly, a Commission decision  
10 to assess anti-dumping duties on nails from the UAE  
11 will not result in Mid Continent being able to  
12 increase its market share or its profitability. As I  
13 said fantasy is fantasy.

14 Mid Continent has told you that the reason  
15 why the China order failed is because low-priced  
16 imports from the UAE have flooded the United States in  
17 the past three years. I've come back to Washington to  
18 testify today because I am the flood. The increase in  
19 tonnage from the UAE was the direct result of my  
20 decision to source nails from Dubai Wire instead of  
21 China. If Itochu had not made this move, UAE imports  
22 would not have surged in 2010 and Mid Continent would  
23 not have the ammunition it believed it needed to once  
24 again petition the government's relief.

25 Let me explain. Our decision to begin



1 purchasing nails from the UAE was not related to  
2 price. We were looking for an alternative source of  
3 supply because of the uncertainty in the market  
4 resulting from the dumping duty order on nails from  
5 China. Let me repeat that because I believe it is a  
6 very important point. Our reduction of purchases from  
7 China and increase in purchases from Dubai was not  
8 because Dubai was cheaper because they weren't.

9           The dumping duty order on Chinese nails  
10 means that you have no idea what your final cost will  
11 be until as much as three years later. So put that  
12 into practical reality as a buyer for a company whose  
13 purchases are crucial.

14           An American consumer buys a car for \$15,000.  
15 Three years later the government comes back and says,  
16 oh, you thought the price of that car was \$15,000.  
17 Sorry. We've been auditing that car company and we  
18 decided you owe us another 20 percent. So now you  
19 have to pay us another \$3000, plus interest for that  
20 car you thought you bought for \$15,000 and thought you  
21 paid for in full three years ago.

22           It sounds crazy and potentially devastating,  
23 and in my opinion it is both, but that is what a  
24 dumping duty order does to the American importer. And  
25 so no matter what the deposit rate, 2 percent, 5

1 percent, 30 percent, the uncertainty and the risk  
2 forces alternatives.

3 So if we look at the overall tonnage we  
4 imported for the past three years and compare 2010 to  
5 2008, the overall quantity is down. The whole point  
6 of this trade action is to point the finger at Dubai  
7 and say look at the big increase in import quantity.  
8 Look at all the business imports took away from the  
9 domestic manufacturers.

10 But in reality, that is a smoke and mirror  
11 argument. In fact, there was no surge, just a shift.  
12 And if you look at the real detail, you will see the  
13 only change -- repeat -- the only change during the  
14 past three years in the entire import nail picture is  
15 that Itochu purchases moved from China to Dubai.

16 We moved to Dubai for some of the reasons  
17 which Mr. Ved just discussed. Dubai Wire produces  
18 more than 1400 different types and sizes of nails at  
19 its facility in the UAE. It produces bulk nails and  
20 collated nails, doubled-headed duplex nails, sinkers,  
21 masonry nails, drywall nails, pole barn nails. It's  
22 collated nails are produced with wire, paper tape, and  
23 plastic. It produces electric galvanized and hot-dip  
24 nails.

25 It sells nails to us in 1 and 5-pound retail

1 boxes, in plastic buckets, in small plastic tubs as  
2 well as industry-standard large count packing.  
3 They're willing to fill any order, no matter how  
4 complicated. We will often combine collated and  
5 hand-drive nails in one order. They ship to all major  
6 USA ports as well as virtually any required inland  
7 destinations. Their product range is not equaled by  
8 any other mill anywhere in the world.

9           And more importantly, to the Commission,  
10 not available in the breadth or quantity from any  
11 other mill in the United States. Simply stated, Dubai  
12 Wire is exactly the source of supply which Itochu  
13 needs to service our customers in the United States  
14 and maintain our position as this country's number one  
15 distributor of nails and that is why we decided to buy  
16 nails from Dubai Wire, not for the cheapest price.

17           If the recent dumping duty order on Chinese  
18 nails could have helped the U.S. industry, you would  
19 have expected domestic mills to immediately contact  
20 PrimeSource to take advantage on this restraint on  
21 trade, but this did not happen. No U.S. mill came to  
22 PrimeSource and offered themselves as a viable  
23 alternative, despite the fact that Chinese nails no  
24 longer had a cost advantage.

25           Mid Continent did not make one, single

1 attempt to sell us product, not one phone call, not  
2 one email solicitation. But in reality, how could  
3 they? In order to service our customers consisting in  
4 part of the largest retail chain stores in the  
5 country, PrimeSource needs more than a thousand  
6 different SKUs in various packings in 34 locations.

7 If you look at Dubai Wire's catalog, you  
8 will see the full line of products and the diversity  
9 of their offering. If you go to the Mid Continent  
10 website and take a look at the hand-drive nails they  
11 offer for sale it fits on one, single page. One page.  
12 One single type of nail, the pallet nails used in the  
13 construction of wooden pallets. They offer one single  
14 packing, 50-pound carton, and a grand total of 11  
15 SKUs. That's it.

16 We buy 1000 SKUs of framing nails, deck  
17 nails, duplex nails, spikes, drywall nails in multiple  
18 packing. Mid Continent produces 11 sizes of pallet  
19 nail SKUs in one packing as their hand-drive nail  
20 offering. And that, to your question, is why they  
21 are unaware of the offerings for the Buy American Act  
22 because they do not and cannot participate in it  
23 because they don't produce the products that are  
24 required under the Act.

25 Which brings me to my next point. For the

1 most part, our import tonnage does not even compete  
2 with Mid Continent. Our focus and product lines  
3 support our sales to the mass merchants, lumberyards,  
4 distributors, wholesalers -- a totally different  
5 business and focus compared to Mid Continent, which is  
6 why, in answer to your question about what drives  
7 demand, their answer was housing starts. And our  
8 answer would be housing starts, yes, but remodeling  
9 and repair is a huge part of our business.

10           There are only two relatively small segments  
11 of the market where we do compete with Mid Continent.  
12 The first are pallet nail manufacturers and the second  
13 is called the STADFA Channel, a group of customers  
14 that belongs to a category of specialty tool and  
15 fastener distributors. Our sales to this group make  
16 up only about 5 percent of our total sales.

17           Now before we became Dubai Wire's customer,  
18 they had sold nails directly to STAFDA dealers, the  
19 groups of customers who cater to the professional  
20 contractors. Now understand, Dubai Wire is not only  
21 an experienced manufacturing plant. They also have  
22 extensive experience with USA market. They're not an  
23 unsophisticated Chinese factory. They're capable of  
24 importing themselves, arranging delivery, extending  
25 terms. In short, they can do everything a USA

1 manufacturer can do, and they have done so.

2           So if everything turned on price, why would  
3 they make a deal to sell this channel of customer to  
4 Itochu, who then sells it to PrimeSource, who then  
5 sells to these customers? Itochu makes a profit.  
6 PrimeSource makes a profit. The reason is price is  
7 not the determining factor in our sales to this  
8 market. It is quality. It is the range of product.  
9 It is backup local inventory. It is customer service.  
10 Having a supplier who combines delivery of their nails  
11 with many other products. It's an incentive trip that  
12 is provided to customers for increasing purchases. If  
13 it was all about price, Dubai Wire would never be able  
14 to continue to sell this channel through distribution.

15           Mid Continent, essentially, would like the  
16 Commission to believe that since Itochu is responsible  
17 for the increase in UAE imports any sale which a  
18 domestic mill has lost to PrimeSource can be cited as  
19 an indication of UAE-related injury. This hypothesis  
20 is simply wrong. PrimeSource's success reflects our  
21 desire and ability to meet our customers' needs.

22           There's an important reason why we employ  
23 over 1000 American workers in 34 distribution centers  
24 in 28 states and our employees are just as important  
25 part of the American building products industry as are

1 the workers at Mid Continent. And our 34 distribution  
2 centers allow to provide just-in-time delivery of  
3 multiple products, including over 1000 SKUs of nails  
4 to all of customers throughout the United States so  
5 they can meet the needs and demands of American  
6 homebuilders and sophisticated consumers.

7 Consumers ask for framing nails, drywall  
8 nails, siding nails, flooring nails, concrete nails,  
9 duplex nails. These nails are not interchangeable.  
10 You can't hang a picture with a Mid Continent pallet  
11 nail. You can't use a Mid Continent pallet nail to  
12 hang drywall. Try building a house using only a  
13 pallet nail. And when the deck collapses and the roof  
14 caves in and the siding rusts and the foundation  
15 cracks and the drywall bleeds, try explaining to the  
16 homeowner that a nail is a nail. And trying telling a  
17 customer who needs to repair one plank on his deck  
18 that he can only buy a 50-pound carton of nails when  
19 all he needs is a 1-pound box.

20 Itochu and PrimeSource have understood the  
21 market. Our growth has reflected the quality,  
22 consistency, and reliability of our products and our  
23 ability to offer a complete range of nails for  
24 immediate delivery to all customers anywhere in the  
25 United States. Domestic nail mills have not in the

1 past and cannot in the future service their customers  
2 in this manner.

3 For the purpose of this investigation, it is  
4 also of critical significance to realize that our  
5 customers do not specify the country of origin of  
6 nails which we deliver to fill an order. Our shipping  
7 containers and retail boxes are properly marked as to  
8 country of origin, but our customers are not concerned  
9 with the origin country as long as they are receiving  
10 Grip Rite quality products. And we charge the  
11 identical price for all identical products, regardless  
12 of whether our Grip Rite nails are made in the UAE,  
13 China, Taiwan, the United States, or any combination  
14 of countries. In other words, the fact that a sale  
15 has been lost to PrimeSource does not mean that a sale  
16 has been lost to the UAE.

17 Our nails just as readily could have been  
18 made in Taiwan or Malaysia for which there have been  
19 no allegations of unfair pricing, or China whose nails  
20 are being imported under the discipline of a dumping  
21 duty order and therefore, by definition, fairly  
22 priced. This being the case any increase in  
23 PrimeSource market share can not be attributable to  
24 allegedly unfairly-priced UAE nails.

25 Finally, there is one point on which we can



1 all agree. The last three years have been difficult  
2 for domestic nail producers as they have been for all  
3 companies dependent on the U.S. housing industry to  
4 drive demand. Housing starts plummeted in 2009. And  
5 while the market has stabilized, we have nowhere near  
6 the demand for housing products today as we had in the  
7 glory years of 2005 to mid-2008. Sales and revenue  
8 have declined since I appeared here four years ago.

9 All of us hope for a full recovery, which  
10 will improve the bottom line of both Itochu and Mid  
11 Continent. And we also agree with Mid Continent that  
12 imports from the UAE have increased in 2010. But as I  
13 discussed today, this increase was solely the result  
14 of our decision to move production to UAE and it was  
15 not based on price.

16 And lastly, UAE imports have not contributed  
17 to any material injury which the domestic industry may  
18 have experienced from 2008 through the present.

19 I thank you for listening to my testimony.  
20 And like Mr. Ved, while I have enjoyed my trips to  
21 Washington, I hope that the Commission's vote in this  
22 preliminary phase of the investigation will make  
23 unnecessary for me to appear before you again.

24 MR. MARSHAK: Now we'll hear from  
25 Mr. Hurwick.

1           MR. HURWICK: Good morning. My name is John  
2 Hurwick. My father, brother, and I founded Northeast  
3 Wholesale Nail and Fastener in 1990. In the past 21  
4 years, we have grown our company into one of the  
5 largest wholesalers of fasteners in the Northeast.

6           In June 2006, we purchased our current  
7 facility in Canton, Massachusetts. It is a  
8 state-of-the-art building with 80,000 square feet of  
9 space. In October 2009, Northeast Wholesale expanded  
10 into our second physical location, a 50,000 square  
11 feet facility in Hamden, Maine. Today we service over  
12 500 independent lumberyards and STAFDA tool stores  
13 from Maine to Pennsylvania. We currently employ  
14 approximately 45 people. We are constantly striving  
15 to meet the needs of our customers with an expanded  
16 product line and better quality service to help them  
17 succeed in today's marketplace.

18           We purchase nails from many different  
19 vendors located in the United States and abroad. Our  
20 largest source of supply over the past ten years has  
21 been Dubai Wire. We also buy nails from Mid-  
22 Continent, Falcon, Sivaco, and China as well as  
23 others.

24           Our decision to source certain nails from  
25 Dubai rather than from domestic vendors or others is

1 not based solely on price. Dubai offers us a larger  
2 variety of nails than most other vendors. It allows  
3 us to purchase containers with a mix of products  
4 rather than requiring us to purchase a full container  
5 of a few product lines in quantities that we do not  
6 want or need. And to the best of our knowledge,  
7 certain types of nails, for example, 28-degree wire  
8 weld nails and paper-taped collated nails with offset  
9 heads as well as many bulk nails are not produced in  
10 the quantities and sizes we need in the United States.

11 And additional, important reason why we buy  
12 from Dubai Wire is that they will package the nails  
13 for us in our private, label boxes. Our private label  
14 program allows our retailers to place their store  
15 name, logo, and individual product SKUs on products we  
16 sell to them. Mid Continent and other domestic  
17 vendors do not offer us the same service.

18 In conclusion, maintaining Dubai Wire as a  
19 stable source of supply is very important to Northeast  
20 Wholesale's ability to compete in the marketplace.

21 I thank you for allowing me to appear here  
22 today, and I'm available for any questions that any of  
23 you might have. Thank you.

24 MR. MARSHAK: Carl?

25 MR. VETH: Good morning. I'm Donald Veth

1 from Auxiliary Service and Hardware Supply Company in  
2 West Trenton, New Jersey.

3 Our customers are mostly subcontractors and  
4 remodelers. We sell almost anything you can find in  
5 the back of a contractor's truck -- ladders,  
6 scaffolds, compressors, saw blades, generators, hand  
7 tools and of course, nails. We source nails from any  
8 vendors and sell branded nails made by Senco, Hitachi,  
9 Maze, Paslode, and TIMCO brand from Dubai Wire. We  
10 buy TIMCO brand from Dubai Wire because of the quality  
11 of the nail and collation. TIMCO branded nails from  
12 Dubai Wire work very well in the tools we sell. These  
13 nails rarely jam because of the high quality. Our  
14 customers ask for the TIMCO nails more often than  
15 others, even though they're more expensive.

16 We've been selling the TIMCO brand for over  
17 ten years. The majority of our customers know the  
18 quality of these nails and are willing to pay more for  
19 them. We also pay a little more for TIMCO nails than  
20 other brands, but they are worth it. We sell TIMCO  
21 because we have less headaches and no quality  
22 problems. They just work well and our customers come  
23 back for more.

24 Yes, price is important, but selling nails  
25 that work very well is even more important for our

1 business. We are one the few suppliers in our area  
2 that seel under the TIMCO name. Quality sells them  
3 time and again. Our relationship with Dubai Wire has  
4 been a very good one. We have grown our business  
5 because of that. We receive on-time deliveries and  
6 good service. Dubai Wire does not increase price  
7 after orders have been placed. Any problems that  
8 arise is corrected in a timely manner. Thank you.

9 MR. MARSHAK: That's our industry panel.  
10 I'd like to make a few comments based on the charts  
11 that I've given you and documents in support of the  
12 presentations. It's Exhibits 1 through 9, and I'll  
13 just go through these very quickly so you can start  
14 asking questions.

15 First, let's look at Petitioner's margin  
16 allegations. In 2007, they allege 105 percent. 2011,  
17 they're alleging 79 percent. So what happens in 2009.  
18 The Department of Commerce finds zero, that UAE, that  
19 Dubai Wire is not dumping. What will they find today?  
20 We don't know. We believe it's going to be zero, but  
21 79 percent is absolutely facially absurd. And why?  
22 Because you look at the prices. You take the largest  
23 product, the largest HTS subheading where three of six  
24 products selected Petitioners fall and you see that  
25 the price, the average unit value as increased from

1 2007 to 2011 at the same time as the quantity imported  
2 has increased.

3 So you have an increase in imports. You  
4 have an increase in price. How in the world could you  
5 say in an allegation 79 percent is reasonable? And  
6 this is a case where you have to take this margin  
7 allegation in perspective. We have a history here.  
8 We have history of an allegation and a fact. And  
9 that's something we believe the Commission should  
10 consider. These facts really can't be ignored.

11 The second charge is housing starts. It's  
12 been a disaster. There's been a free-fall in the  
13 housing starts from 2006 to 2008. There's been no  
14 growth in 2009 to 2010. The picture isn't pretty.  
15 The U.S. economy has not done well. We're all hoping  
16 for a great recovery, but we just don't know.

17 But despite this free-fall, the U.S.  
18 industry has survived. Mid Con is still producing  
19 nails in the United States. They've had a constant  
20 and perhaps an increasing market share and they've  
21 remained profitable, we believe. And they could do  
22 that in the face of imports, they could survive in the  
23 future.

24 This industry hasn't suffered injury. When  
25 you've seen what's happened in the rest of the economy

1 and compare it to what's happened in the U.S. market,  
2 in the U.S. nail industry, we believe you'll see that  
3 the U.S. nail industry has outperformed other  
4 industries in the U.S. market. They've outperformed  
5 the housing industry. And if that's the case, there's  
6 been no injury.

7           The chart are steel wire rod prices from  
8 2005 to 2011. Correct, there's been incredible  
9 fluctuation. And what we believe Mid-Con is going to  
10 say is, look, in 2008 prices were much higher than  
11 they are in 2010. And you look at average import,  
12 average unit values prices in 2008 were higher than in  
13 2010, but why? There was just jump, this surge in  
14 wire rod prices in 2008, so prices increased. And  
15 then they went back, so price are back lower. But  
16 compare the 2007 prices with 2010 price, you're going  
17 to see an increase. And you're going to see an  
18 increase in prices from the UAE.

19           The fourth chart is just a page from the  
20 harmonized tariff schedule. And we're giving that to  
21 you so you'll see when we talk about difference in  
22 types of nails, even by custom standards I believe  
23 that you have 18 different breakouts for nails here.  
24 You have galvanized-coated bulk nails. You have nails  
25 that are collated, assembled in wire coil that are

1 galvanized and other.

2           So when you look at products, when you're  
3 looking at import trends and average unit values, you  
4 should look at a discreet basis. You should look at  
5 the product mix. You're going to see a change in  
6 product mix and you're going to see changes in the  
7 different product categories, in prices. But compare  
8 the prices in each category, don't just say, hey, one  
9 year we have an AUV of X and the next year we have an  
10 AUV of Y. Look at individual product groups.

11           And this also shows that just a tremendous  
12 mix of nails. You'll see imports in all of these  
13 categories. We don't believe the domestic mills can  
14 make these nails. And they have the theoretical  
15 capability, but we're talking about reality.

16           The fifth page of the charts is looking at  
17 imports. There's just no question the UAE imports  
18 increased dramatically in 2010 from the prior years  
19 and we've heard the reason why. PrimeSource made the  
20 move from China to Taiwan to the UAE. So what  
21 happened is you have shift in imports. Imports that  
22 were coming in from China from the UA -- China and  
23 Taiwan are now coming from the UAE. And a shift in  
24 imports from one country to the next is not injurious.

25           You should not find injury. You should not



1 find that there's a reasonable indication of injury  
2 when you have the import shift from one country to  
3 another. They have not displaced nails made in the  
4 United States. The move to the UAE was a result of a  
5 move away from China and also some movement of some  
6 nails from Taiwan, and that's the reason you have this  
7 large increase from the UAE.

8           The sixth page of these handouts are  
9 collated nails. And we've broken it out -- bulk and  
10 collated nails. They're different. For the purpose  
11 of this preliminary determination, we're going to  
12 agree that there's going to be one like product  
13 coextensive with the class or kind. We're going to  
14 agree because we don't believe that you have the time  
15 to go do the analysis and separate into different like  
16 products. We hope we're not here for a final. If we  
17 are here for a final, and again we don't we will be,  
18 we may want to revisit that. But for the purpose of  
19 this preliminary determination, one like product, one  
20 class in kind, coextensive.

21           But let's look at collated nails. And this  
22 is a category where the UAE has traditionally sold a  
23 lot of nails to the United States. Dubai Wire,  
24 historically, has been very active in this category.  
25 And again, you see the change from 2009 to 2010. It

1 was constant from 2007 to 2009. 2010 it doubles. Why  
2 does it double? You've heard the reason. PrimeSource  
3 moved from China to the UAE.

4 Page seven, look at the prices. PrimeSource  
5 moved to the UAE, but prices haven't declined. You  
6 compare again 2007 you look at the prices in the  
7 different categories you see a jump in the volume.  
8 The volume doubles, but it's not because the prices  
9 are going down. Prices are staying the same. And in  
10 some major categories, the most significant category  
11 is the one in the middle, 7317005507, we go from 25  
12 million kilograms to 44 million kilograms and our  
13 price goes up. So if our price goes up when our  
14 quantity is going up, this is not a question of low  
15 prices. Prices are rising as quantities are rising,  
16 not injury.

17 Next, let's look at bulk nails. And this is  
18 a category of nails -- this is page 8 -- where the  
19 UAE, Dubai Wire was not really involved that much is  
20 selling bulk nails. Again, why did it increase?  
21 PrimeSource moved to the UAE. And was does  
22 PrimeSource buy? It buys nails that are sold in Home  
23 Depots and Lowe's in the small boxes -- 1-pound,  
24 5-pound, 30-pound, 50-pound boxes and this is where  
25 the increase. And they buy these nails, so all of a

1 sudden you have an increase to the UAE, but not from  
2 the domestics. The increases come, and look at the  
3 import from other countries, that's where it's coming  
4 from. It's a movement, China to the UAE. The reason  
5 PrimeSource's move there. And as you've heard today,  
6 it has not been based on price.

7 The final page of these charts are the bulk  
8 prices. And again, look at the individual categories.  
9 Again, you see the significant increase from 2010 for  
10 the earlier years, but you also see at the same time  
11 as imports increase prices have increased. And once  
12 again, if prices increase at the same time as imports  
13 have increased, they are not price-driven and the  
14 increase of imports from the UAE, the objective  
15 information confirms what we believe Mr. Ved and  
16 Ms. Zinman and the other witnesses have told you  
17 today.

18 The movement has been there. We've had an  
19 increase of imports. It's not been price driven.  
20 It's been based on reasons that are not injurious to  
21 the domestic industry.

22 Thank you and we're ready to take your  
23 questions.

24 MS. DEFILIPPO: Thank you, Mr. Marshak. And  
25 again, thank you to all of the witnesses who provided

1 testimony. It was very interesting and very helpful.

2 So we will turn to staff questions.

3 Mr. Ruggles.

4 MR. RUGGLES: Good morning. Thank you.

5 First, let's get to who's producing nails in  
6 the UAE. We've got Dubai Wire. Millennium are they  
7 now out? Are they producing? Are they out.

8 MR. GURLEY: This is John Gurley. I  
9 represent Precision Fasteners. To my knowledge, there  
10 are two producers in Dubai, Dubai Wire and Precision  
11 Fasteners. And we don't know exactly why Petitioners  
12 has listed Millennium Wire.

13 MR. RUGGLES: Or Samrat or Steel Racks.  
14 When you look at their website, they claim they  
15 produce nails.

16 MR. VED: To the best of my knowledge, they  
17 are not producing nails at the moment of any  
18 significant quantities in the United Arab Emirates.

19 MR. RUGGLES: Okay, could you maybe do a  
20 little more research, talk to them?

21 MR. VED: I know them pretty well. We have  
22 been talking to them and even previous time we  
23 requested them to fill the questionnaire. They  
24 refused. This time I didn't even bother.

25 MR. RUGGLES: Okay.

1 MR. VED: It's a very small and they don't  
2 really want to.

3 MR. RUGGLES: Maybe you want to put in your  
4 post-conference just a statement concerning that.

5 MR. MARSHAK: We will make a statement for  
6 the record.

7 MR. RUGGLES: All right. Thank you.

8 Auxiliary Service and Hardware, they fill  
9 out an importer questionnaire. Yes.

10 MR. VETH: I didn't, but our company did  
11 one.

12 MR. RUGGLES: Have the sent it to us?

13 MR. VETH: But I'm not an importer of  
14 record. Yes. So I think we just said we didn't  
15 import anything.

16 MR. RUGGLES: Okay. We'll discuss this a  
17 little bit more, but I don't have any information on  
18 any of the imports that you purchase or anything along  
19 those lines.

20 MR. VETH: We purchase from PrimeSource.

21 MR. RUGGLES: Okay, so you're not importing  
22 then?

23 MR. VETH: Right.

24 MR. RUGGLES: Okay, that's the difference.  
25 They way you portrayed it, it sounded like you were

1 importing.

2 MR. VETH: We did in the past, but now we  
3 purchase from PrimeSource.

4 MR. RUGGLES: Did you import at all during  
5 the period of investigation?

6 MR. VETH: The last like three years?

7 MR. RUGGLES: Yes.

8 MR. VETH: No.

9 MR. RUGGLES: Okay, you see my confusion.  
10 I'm trying to figure out where the bigger -- I'm  
11 missing a bunch of imported product from Dubai at this  
12 point. I don't know all the different -- okay? So if  
13 you can give us a little help with that.

14 MR. MARSHAK: We believe that we have very  
15 good coverage for Dubai Wire because the vast, vast,  
16 vast majority, and this is confidential --

17 MR. RUGGLES: Right.

18 MR. MARSHAK: -- is where PrimeSource is the  
19 importer or Dubai Wire is the importer of record  
20 itself and I think you have that coverage.

21 MR. RUGGLES: Right.

22 MR. MARSHAK: I think it may be  
23 confidential, but I think I know where the problem is,  
24 and it'll be discussed in the brief.

25 MR. RUGGLES: Okay. very good. Thank you.

1                   And I think for what I need right now  
2 that'll take care of it for right now. Thank you.

3                   MS. DEFILIPPO: Thank you, Mr. Ruggles.

4                   Mr. Gallagher, any questions for this panel?

5                   MR. GALLAGHER: Patrick Gallagher, Office of  
6 the General Counsel.

7                   Mr. Marshak, you said you agreed with the  
8 Petitioner's definition of the domestic like product,  
9 at least for now, right?

10                  MR. MARSHAK: For the purpose of the  
11 preliminary determination, for your decision at the  
12 preliminary stage we will agree, acquiesce.

13                  MR. GALLAGHER: The domestic industry  
14 definition, are you okay with that too?

15                  MR. MARSHAK: We acquiesce.

16                  MR. GALLAGHER: If you have any related  
17 party issues, please put them in the post --

18                  MR. MARSHAK: I don't believe we have  
19 related party issues we'll raise for the preliminary  
20 investigation either.

21                  MR. GALLAGHER: Okay. Interchangeability  
22 perhaps there's a difference of opinion, perhaps it's  
23 semantics with Ms. Zinman. Do you agree or not agree  
24 or what's your view on the domestic like product  
25 versus the imports from Dubai? Are the

1 interchangeable or not?

2 MR. MARSHAK: I guess I'll ask the industry  
3 witnesses. I think the first question is if you could  
4 get the product domestically, if they make it  
5 domestically, would it be of the same quality as you  
6 get from Dubai Wire?

7 MS. ZINMAN: Nails are governed by a  
8 standard specification, so they need to be if you're  
9 ordering, for example, 16-penny sinker they should  
10 have certain head size. They should have a certain  
11 shank diameter, and they should have a certain length.  
12 That is a given if any producer anywhere in the world  
13 would make that nail it would be interchangeable.

14 Where the differences are is that there are  
15 quality in the sense of tolerances. You're allowed  
16 plus or minus 5 percent on a diameter of a head and a  
17 mill may make 8 percent will be out of spec or the  
18 heads will be off center. So that would be an issue  
19 where they would not necessarily be interchangeable.  
20 But as far as actual specification, they would be,  
21 assuming everybody is making the same thing.

22 MR. GALLAGHER: Okay, that brings me to your  
23 testimony because your testimony you said price isn't  
24 really the driver and then you listed a series of  
25 things, and the first thing you listed was quality.



1 MS. ZINMAN: Correct.

2 MR. GALLAGHER: Right. Which is more along  
3 the lines of what you're talking about now.

4 MS. ZINMAN: Correct.

5 MR. GALLAGHER: So I have the same nail, one  
6 from Dubai, one from domestic industry. They're  
7 roughly interchangeable let's say because they meet  
8 the spec.

9 MS. ZINMAN: Correct.

10 MR. GALLAGHER: Later, you say when you  
11 build boxes or whatever for sale you mix and match.  
12 You don't list who the source is.

13 MS. ZINMAN: Right. Correct.

14 MR. GALLAGHER: Now don't you have a quality  
15 issue there?

16 MS. ZINMAN: No.

17 MR. GALLAGHER: How does that work?

18 MS. ZINMAN: Whatever we are buying from  
19 whatever source we are buying, whether it be Malaysia  
20 or whether it be Taiwan or UAE< it must meet the  
21 specification -- the original federal specification in  
22 the FFN specification, so those would be sold  
23 interchangeably.

24 However, one example where you couldn't is  
25 hot-dip galvanized nails. There are certain markets

1 that require a true hot-dip galvanized nail, which  
2 Dubai Wire produces. Domestic mills, if they will  
3 make an equivalent and another mill will make an  
4 equivalent they will produce from hot galvanized wire.

5 Technically, it's the same. It's supposed  
6 to be for the same use, but they would not necessarily  
7 be interchangeable. And in that case we would not  
8 sell them as interchangeable. They would have  
9 separate SKUs.

10 MR. GALLAGHER: Thank you. I don't have any  
11 more questions. Thank you.

12 MS. DEFILIPPO: Thank you, Mr. Gallagher.  
13 Mr. Workman, questions for this panel?

14 MR. WORKMAN: I don't have any questions.  
15 Thank you.

16 MS. DEFILIPPO: Mr. DeSapio, do you have any  
17 questions for this panel?

18 MR. DESAPIO: I have just two questions.  
19 One for Ms. Zinman. Have you ever sourced from  
20 domestic producers and are there any U.S. producers  
21 that produce the wide variety of nails that you  
22 require?

23 MS. ZINMAN: We have sourced from domestic  
24 producers. We currently buy from domestic producers.  
25 We buy, for example, from Maze Nail. We buy from

1 Puerto Steel. We have bought from many of the  
2 original Petitioners who now are not in business any  
3 more. However, those purchases have historically been  
4 very limited in scope, limited geographically because  
5 they do not make anywhere near the full range of nails  
6 that we need, nor can they service the entire country.  
7 So in a local area for a specific number of  
8 distribution centers that we have in a specific  
9 product group, we are a customer.

10 And frankly, if we could buy more -- if more  
11 was available, I mean absolutely.

12 MR. DESAPIO: Thank you.

13 And the other question is for Mr. Ved. You  
14 mentioned hot-dip galvanized steel products as  
15 examples of a product that you produce, but the U.S.  
16 industry does not produce. I wonder what percentage  
17 of your products are accounted for by hot-dip  
18 galvanized, the product that you mentioned?

19 MR. VED: It is roughly 20 percent.

20 MR. DESAPIO: Thank you.

21 MR. VED: Can I add something, sir?

22 MR. DESAPIO: Certainly.

23 MR. VED: It is not only being able to  
24 produce that product, but it is also necessary to  
25 produce other products because there are very few

1 customers who can buy full truckload of hot-dip  
2 product. So he needs to mix it with other products.  
3 Once he can, then it becomes more viable.

4 MR. DESAPIO: Thank you. No further  
5 questions.

6 MS. DEFILIPPO: Thank you, Mr. DeSapio.

7 Mr. Corkran?

8 MR. CORKRAN: Douglas Corkran, Office of  
9 Investigations. And I really do want to thank  
10 everybody on the panel for coming and being here with  
11 us today. Your testimony has been very, very helpful.

12 My first question will give me a jumpstart  
13 on one of this afternoon's conferences. I too am  
14 interested in hot-dip galvanized nails. Can you  
15 provide me a little additional information on how  
16 those particular products are used? And in  
17 particular, the difference between the galvanized nail  
18 where the nail itself is galvanized or nails produced  
19 from galvanized wire.

20 MR. VED: There are several different  
21 coating methods will give you protection. First, I'll  
22 address the hot-dip issue. The process is first you  
23 clean the nail and you dip it into a flux which  
24 prepares to create a chemical reaction between steel  
25 and zinc. So when you dip it into zinc you have a

1 chemical reaction of zinc iron. And what that does is  
2 that zinc tends sometimes to flake off. So if you  
3 have electroplated or mechanically-galvanized, then it  
4 could flake off and then it would be attack on the  
5 bare steel service.

6 So hot-dip is a very preferred way of  
7 galvanized. It's a very difficult process. It's  
8 requires a lot of investment.

9 The second question you said about hot-dip  
10 wire. Now what has become an industry -- people have  
11 attempted to imitate, but it's easier to galvanize the  
12 wire than the nail. So they will galvanize the wire.  
13 Then when you use the wire as the input to making  
14 nails, when you cut the nails the two parts of the  
15 ends they would be exposed.

16 Now there's been attempts to hide that or  
17 put some sort of chemicals on it, but if there is no  
18 bonding of zinc to the iron and you don't create that  
19 zinc iron on both sides where you make the head and  
20 where you make the point.

21 Now those are the critical points which  
22 really you need to actually guard because when you  
23 drive the nail in the point has to have substantial  
24 zinc. If it doesn't have that zinc, then it's going  
25 to bare the surface. And the top usually remains

1 exposed, so that part needs be properly guarded  
2 against things. There has been some success, but  
3 mostly the preference has been for the real stuff.

4 MR. CORKRAN: Thank you. That was very  
5 helpful, and it gives me some ideas for the conference  
6 this afternoon.

7 One of the questions I have, and this one  
8 goes to Itochu, just trying to get through the  
9 sequence of events. Following the China case, the  
10 testimony was that it was Itochu's decision to shift  
11 from China to the UAE in large part or exclusively,  
12 perhaps, because of the uncertainty in the market.  
13 Can you go over a little bit the steps that were  
14 taken? Did Itochu approach Dubai Wire or did Dubai  
15 Wire approach Itochu. I'm sorry.

16 MS. ZINMAN: First of all, I've known  
17 Mr. Ved for 20 years. It wasn't like he just suddenly  
18 appeared and said, hi, buy my nails. I mean we'd done  
19 business with him over the years on screws and other  
20 products. And I think it was kind of a mutual thing.  
21 I believe that he actually approached me originally  
22 first and he said how about we talk again and see if  
23 we can do some business and I was in the process of  
24 looking for alternatives. So it was just kind a  
25 confluence of events.

1           MR. CORKRAN: And previously, though, you  
2 had not been purchasing Dubai-origin nails. You'd  
3 been purchasing primarily Chinese-origin nails?

4           MS. ZINMAN: Primarily, I had been  
5 purchasing primarily Chinese nails, although I had  
6 bought nails from him in the past. And I believe that  
7 I had actually bought nails from him in 2008 at the  
8 same time. However, I was not the importer of record,  
9 so it doesn't appear on my questionnaire.

10          MR. CORKRAN: And during this period, 2006,  
11 '07, '08, was there a substantial expansion in Dubai  
12 Wire's ability to provide a wide range of nail  
13 products and nail packaging it sounds like seems to be  
14 a very central element of your testimony.

15          MS. ZINMAN: Right. I believe that he  
16 always had the capability, but it was my business that  
17 drove the demand for it. So he started to produce the  
18 small package nails to support our business and he  
19 resumed producing more hand-drive nails as a result of  
20 our business needs when our business started.

21          MR. CORKRAN: And so prior to the major  
22 shift to the Dubai product, what was the primary  
23 motivation for purchasing the Chinese product?

24          MS. ZINMAN: Availability, full range of  
25 product, although you needed to buy from multiple

1 suppliers to get the full range -- the country as a  
2 source offered the full range of products. It offer  
3 package nails. It offered hand-drive nails, collated  
4 nails. All the requirements were able to be met by  
5 China. However, China was -- again, you don't have  
6 one integrated factory as you do with Dubai Wire. You  
7 have multiple sources in that country to take care of  
8 all of the needs.

9 MR. CORKRAN: Thank you.

10 MR. VED: Really important factor here that  
11 we started as purely bulk producers in 1982. I mean  
12 that's when we started our main business for United  
13 States. And over a period of time, we wanted to value  
14 add-on the product and we reached a stage where we  
15 were producing only collated products. But due the  
16 crisis situation in the world, we saw that if that's  
17 what we're going to stick to we'll end up dumping and  
18 we don't want to dump.

19 So we said, okay, let's make bulk nails.  
20 Let's make basic nails. Let's make package nails. So  
21 instead of dumping, we decided to increase our product  
22 range with the partnership. I mean we managed to do  
23 that. But the important point here is we just don't  
24 want to -- just because we have the capacity, we just  
25 don't want sell. We just want to sell what we are



1 able to sell at a profitable level.

2 MR. MARSHAK: I'd just like to add one more  
3 point. You're also going to see nail imports coming  
4 in from Taiwan, Korea, and Malaysia. There are nail  
5 industries all over the world. And the point is you  
6 have an order on China. It's going to go to the UAE.  
7 You put on an order on the UAE, it could go to Taiwan.  
8 It could go to Korea. It could go to any other  
9 country who realizes we can now sell nails to the  
10 United States. And I think what Ms. Zinman's saying  
11 is it's not going to go back to the United States.

12 MR. CORKRAN: I had a question in my notes  
13 relating to that line of argument. I think one of the  
14 statements was a shift of imports from one source to  
15 another is not injurious. And I just want to try to  
16 ask if you could explain the reasoning a little bit  
17 further to me if one of this agency's findings that  
18 the first source of imports was a source of injury or  
19 a threat of injury to a domestic industry. And  
20 shifting from one source to another is not injurious.

21 MR. MARSHAK: There's an anti-dumping duty  
22 order in place in China. And that means, by  
23 definition, after the order is in place the Chinese  
24 exports come into the country based on the discipline  
25 of the order. There's no longer unfair pricing from

1 China. You have the price and you have anti-dumping  
2 duties. And if you're not paying dumping duties,  
3 you're selling at a fair price.

4 So when you move to China to the UAE, it's  
5 from one -- now it's a fairly-traded source to another  
6 fairly traded source. Before it wasn't, but once that  
7 order is in place, once there is even a suspension of  
8 liquidation, going back to the beginning of 2008, the  
9 discipline is there and you can no longer say that the  
10 merchandise is being dumped without the discipline of  
11 the order, without the U.S. Government doing something  
12 about it.

13 So what really happens is you're moving from  
14 one good source, one fair source, which is now fair  
15 because of the order, to another fair source, which is  
16 the UAE. And again, remember in 2007, the Department  
17 of Commerce, 2008, they found the UAE was not dumping.  
18 And you have UAE prices in 2010 are greater than  
19 prices in 2007. So we have the movement from fairly  
20 traded sources to other fairly-traded sources. Again,  
21 because of the discipline of the order. The order is  
22 in place.

23 MR. CORKRAN: Thank you. I very much  
24 appreciate that elaboration.

25 One of the questions I had, and this would

1 go I think primarily to Mr. Ved, but can you provide a  
2 little elaboration on what the UAE home market, and if  
3 not strictly speaking the home market, the regional  
4 market that Dubai Wire serves?

5 MR. VED: Middle East. And Dubai is mostly  
6 a concrete construction. There's no wooden  
7 construction, so it's very limited on the nail  
8 business. So we have a substantial -- the share is  
9 there, but the volumes do not exist.

10 I'd like to add something here, if I may.  
11 We have bought a company in Germany called Karl M.  
12 Reich and they are producers of nail guns and all  
13 distributor of nails. We own 50 percent of that  
14 company. We are in a major moving substantial amount  
15 of our capacity to enhance that business. So you will  
16 see capacity movement to Europe in the near future.

17 MR. CORKRAN: Mr. Gurley, I was wondering if  
18 maybe I could ask a similar question of you to the  
19 extent that your client participates in a home market  
20 or a regional market, or if that's something you feel  
21 comfortable discussing in this forum. If you client  
22 has any different experience in the market, although  
23 it sounds like it's not a particularly nail-intensive  
24 market that we're talking about here.

25 MR. GURLEY: I think Mr. Ved's comments are

1 accurate. Our participation in the Mid-East it  
2 exists, but it's somewhat limited.

3 MR. CORKRAN: The final question I have, and  
4 I think this one will also be directly primarily at  
5 Itochu, but we talked a little bit earlier this  
6 morning about using housing starts or other published  
7 data to track one element of nail demand, but you put  
8 a great deal of emphasis of the maintenance and repair  
9 aspect of nail use. Are there published data that you  
10 tend to look at to give you an idea of where demand is  
11 now, where it may be headed, any sort of published  
12 sources that you used?

13 MS. ZINMAN: We look at a combination of  
14 statistics. We look at housing stocks. We look at  
15 housing permits. We look at sales of existing homes.  
16 There's a whole series of statistics that are graphed  
17 and to try to predict a trend of where the market is  
18 going, a number of months of unsold homes on the  
19 market -- that type of thing. And there a lot of  
20 industry experts who put out reports on a monthly  
21 basis that we subscribe to who are probably right only  
22 about 50 percent of the time.

23 And also, one other point is we tracked our  
24 sales in the mass merchants. Large companies like  
25 Home Depot and Lowe's. If you watch their sales

1 results, also a lot of their business is homeowner,  
2 do-it-yourself repair, self-building and how those  
3 sales are going and how they're tracking their  
4 anticipated results also has an impact on how we see  
5 the future.

6 MR. CORKRAN: Okay, in terms of maintenance  
7 sales, it sounds like some of your best source of data  
8 comes directly from your customers as opposed more  
9 construction-oriented sales, which is the published  
10 sources we're talking about.

11 MS. ZINMAN: Correct. Because in case of  
12 new houses there are indicators. There are permits  
13 that are pulled. There are things that you can look  
14 at that can give you some kind of judgment about how  
15 the near-term or long-term future is going to look.  
16 It's much more difficult to know if someone is going  
17 to go to the store and buy five pounds of nails  
18 because they're going to fix their deck -- hard to  
19 predict.

20 MR. CORKRAN: Again, I wanted to thank all  
21 of the witnesses for your time and coming here to help  
22 enlighten us on the nail market and I really do  
23 appreciate it. Thank you very much.

24 MS. DEFILIPPO: Thank you, Mr. Corkran.

25 And I just have a couple of quick follow up

1 things. One, to follow up on just what Mr. Corkran  
2 was talking about. And if you can bear with me one  
3 second because it was in Ms. Zinman's testimony where  
4 you were talking about your focus and product lines  
5 support sales to mass merchant is a total different  
6 business and focus compared to Mid Con. So your focus  
7 is on this retailer, mass merchant versus the new  
8 construction.

9 In terms of the overall size of the nail  
10 market that we're talking about, if you're making that  
11 distinction between those two parts of the market, do  
12 you now or in a post-conference brief have any sense  
13 of the size of either of those two parts of the  
14 market?

15 MS. ZINMAN: I think I'd feel more  
16 comfortable submitting it and giving you an accurate  
17 answer.

18 MS. DEFILIPPO: Sure. Absolutely.

19 And I will stay with you Ms. Zinman just for  
20 a minute. So I'm trying to mesh together all of the  
21 testimony and some of the statements. You talked  
22 about both in your testimony and in response to  
23 questions from Mr. Corkran your shift from the Chinese  
24 to the UAE. And I believe that in your discussion you  
25 talked about buying a full product line from the

1 Chinese, not necessarily from one specific company.

2 MS. ZINMAN: Correct.

3 MS. DEFILIPPO: And then shifting to the  
4 UAE. I think I heard you say when you started buying  
5 from them they weren't necessarily providing all the  
6 different things at that time, but you worked with  
7 them to get a partnership where you were then buying a  
8 broad product line from then.

9 MS. ZINMAN: Right. And if you look at the  
10 numbers, as we submitted, you'll see that those  
11 quantities changed from 2009 to 2010 as the full range  
12 of products came on stream.

13 MS. DEFILIPPO: Then I believe both you and  
14 Mr. Marshak made comment that if an order is put on  
15 the UAE that's not going to be benefitting or the U.S.  
16 is not going to pick up those additional sales. It  
17 will likely be another import source.

18 MS. ZINMAN: Correct.

19 MS. DEFILIPPO: So based on that, are there  
20 nonsubject import sources that also have broad product  
21 lines because it seemed to come through in your  
22 statement that that was what you were indicating was a  
23 very important reason for you why you were buying  
24 that. So are the nonsubject sources that are in the  
25 market now, if an order were put on the UAE, would you

1 shift to them and do they have that full range of  
2 product line or would you need to go through another  
3 process like you went through with the UAE where you  
4 working to get the full product line.

5 MS. ZINMAN: UAE is not our only source of  
6 supply. We also source quite a lot of product from  
7 Taiwan, who currently has just about the full product  
8 line available now. Certainly, if there was an order  
9 put on those imports, our quantity requirements let's  
10 say to Taiwan certainly would be increased. So I  
11 don't think overnight they could just flip a switch  
12 and provide everything, but certainly they are  
13 producing now because they are a secondary source or  
14 additional source of us of just about all these  
15 products as well. So the availability is there in  
16 Taiwan to basically step up and I guess I'll here four  
17 years from now saying the same thing.

18 MR. MARSHAK: For the record, this is not  
19 going to happen.

20 MS. DEFILIPPO: And I guess part of what I'm  
21 hearing is products, but also packaging.

22 MS. ZINMAN: Correct. Packaging is huge for  
23 us. Basically, the domestic industries supplies  
24 either a 50-pound carton, which is called bulk packing  
25 or a large-count industry standard box for collate



1 like 4000 nails in a box, 5000 nails in a box.

2 A huge part of our business is the retail,  
3 smaller-count box -- 1-pound box, 5-pound box, smaller  
4 collated nails in a plastic tub. Go into any Home  
5 Depot or Lowe's store, go to the nail section, you'll  
6 see our stuff -- little tiny boxes. That's not  
7 available in domestic industry at all. They don't  
8 provide it. They don't sell it. They don't offer it.  
9 And for us, this is crucial, a crucial part of our  
10 business, huge part of the business.

11 MS. DEFILIPPO: And do you think that's a  
12 differentiating factor between what we talked about in  
13 those two segments where the new construction doesn't  
14 care about the packaging because they're buying a lot  
15 more at time versus a mass merchandiser that you're  
16 kind to hit a consumer like any of us that doesn't  
17 need that, so the packaging differentiates from those  
18 segments?

19 MS. ZINMAN: Right. I mean as a general  
20 rule a contractor when he's going to buy his materials  
21 to a new construction to build a house he's not going  
22 to go buy a 1-pound box. He's going to buy a 50-pound  
23 carton. So certainly, the big count pack is much more  
24 indicative of housing market statistics as opposed to  
25 the small boxes which are more DIYers or repair or

1 remodeling.

2 MS. DEFILIPPO: Okay. So just to follow on  
3 that because we did get a little bit of different  
4 testimony this morning. The Petitioners talked about  
5 we can make all these products. Are there products,  
6 set aside packaging for a minute now, are there  
7 physical nail products that you buy from any of your  
8 import sources that are not currently available from  
9 the domestic industry.

10 MS. ZINMAN: Yes. Yes.

11 MS. DEFILIPPO: And this may be something  
12 that you would feel more comfortable doing later. If  
13 you can give a sense of what you purchase that is --  
14 set aside packaging because I understand that's  
15 important -- but from the physical nail product what  
16 percentage of what you buy is not available from the  
17 domestic industry. If you can provide that in a  
18 post-conference submission that would be very helpful.

19 MS. ZINMAN: Okay.

20 MR. MARSHAK: I just want to make one point.  
21 The domestic industry is going to say they can make  
22 everything.

23 MS. DEFILIPPO: Sure.

24 MR. MARSHAK: We know that.

25 MS. DEFILIPPO: Right. But currently.

1 MS. ZINMAN: Currently?

2 MS. DEFILIPPO: Yes. Please.

3 MS. ZINMAN: No problem.

4 MS. DEFILIPPO: Mr. Marshak, are you aware  
5 of any other AD cases against the UAE or any other  
6 countries.

7 MR. MARSHAK: We are not aware of any cases  
8 against the UAE.

9 MS. DEFILIPPO: Okay. Actually, I think all  
10 my questions have been answered in response to others,  
11 so I very much appreciate you coming. I'll look  
12 quickly to make sure nothing else has come up.

13 Thank you very much to this panel. We  
14 appreciate your testimony and your responses to our  
15 questions.

16 MR. MARSHAK: Thank you.

17 MR. VED: Thank you very much.

18 MS. DEFILIPPO: Thank you very much. We  
19 will take a five-minute break between now and closing  
20 statements. The clock says 11, so at 11:05 we will  
21 come back and do closing statements. Thank you.

22 (Whereupon, a brief recess was taken.)

23 MS. DEFILIPPO: We will now begin our  
24 closing remarks, and we will start with closing  
25 remarks on behalf of the Petitioner. Mr. Gordon, if

1 you would please join us and please begin when you're  
2 ready.

3 MR. GORDON: We heard a lot from the last  
4 panel about fantasy and reality. I'd like to take  
5 just a couple of minutes, I'll be brief, to dispense  
6 with some of the fantasy that was presented to you by  
7 the Respondents and redirect your attention of the  
8 reality of what the record shows.

9 I'll just note maybe three of the biggest  
10 fantasies that were just put in front of you, starting  
11 in essentially reverse order. The argument that the  
12 domestic industry or individual domestic producers  
13 cannot provide the complete product range that is so  
14 critical to PrimeSource's existence.

15 The reality is, as Ms. Zinman just testified  
16 that you know in China we didn't have that either, but  
17 we were very happy sourcing dumped product out of  
18 there until a dumping order went into effect. The  
19 other part of the testimony is that you know when we  
20 moved our product over to the United Arab Emirates  
21 with my friend Mr. Ved they couldn't do it either, but  
22 we worked with them to grow their product line to the  
23 point where now they can do what we need.

24 It raises a good question. Why couldn't  
25 that come back to the United States? I don't know,

1 but I think the answer lies in the pricing. And if  
2 you look at the AUVs over the period of investigation,  
3 you see what I call the PrimeSource effect. You see  
4 the AUVs of these prices dropping over time.

5 Now Mr. Marshak in his handout wants you to  
6 go back and look at 2007. That's not in the period of  
7 investigation. If you look at the numbers in the AUVs  
8 in the period of investigation, you see steady  
9 declines, matching pretty much with the growth in  
10 PrimeSource's sourcing from Dubai Wire. So I think it  
11 bears looking at the record holistically, if you will,  
12 to see what the facts really show.

13 And as a footnote, I'd note before I move on  
14 to the second fantasy that we heard a lot about Dubai  
15 Wire, nothing about Millennium, apart from a denial  
16 they exist, notwithstanding the fact that our petition  
17 contains printouts from their website; and 25 words  
18 from Mr. Gurley about Precision. It's curious that  
19 they chose not to appear in person and their  
20 representative chose to say not a word in their  
21 defense.

22 The second fantasy I'd like to dispense with  
23 here is this idea that the U.S. market for steel nails  
24 has these folks over here and then the big box stores  
25 and the Itochus and the PrimeSources. They sell to

1       them and the domestics they can't touch that. The  
2       problem with that is the information on the record in  
3       the producer questionnaires I suggest you look at  
4       those and see what they show.

5               The third fantasy I'd like to dispense with  
6       is this concocted notion that only Dubai Wire can  
7       produce true hot-dip galvanized nails and that those  
8       nails are somehow superior and more desirable than  
9       other galvanized wire nails that meet the same  
10       generally accepted industry standards. It could be  
11       the ASTM, the industry consensus standards. The fact  
12       is a nail that meets the right ASTM or other spec  
13       meets that spec. It meets whether it's true hot-dip  
14       or electro galvanized. It meets it whether it's  
15       produced from galvanized wire.

16               The other part that I would point out is  
17       that, in fact, if you look at Maze Nails website, a  
18       company that PrimeSource says they actually source  
19       from they do true hot-dip galvanized. So that product  
20       is available from a domestic producer. And I  
21       guarantee you that if you called up Maze Nails they'd  
22       be very happy to sell them to you.

23               So there are three of the biggest fantasies  
24       put in front of you today that it's important to  
25       dispense with and look beyond. I think what the

1 record shows and what the testimony from the  
2 Respondents has essentially confirmed is that  
3 Primesource, once the imports from China were placed  
4 under the discipline of a dumping order, started  
5 searching for another source to dump nails and found  
6 it in Dubai.

7           And as Ms. Zinman has testified, basically,  
8 if an order goes into effect on United Arab Emirates,  
9 they're going to go looking for another source of  
10 dumped nails somewhere else in the world. Under no  
11 circumstances will they come back and source from the  
12 United States. Now why that is I really can't say and  
13 I don't think we've heard anything coherent to address  
14 that point and it's really immaterial because this  
15 investigation is about whether the imports from the  
16 UAE are injuring the domestic industry.

17           We think we've got great dumping margins  
18 over at the Commerce Department and that case will  
19 show that they have been dumped. In fact, the record  
20 evidence is very strong on that point. We also think  
21 that the record before the Commission presents a very  
22 compelling picture of injury -- a very compelling  
23 picture when you see the trajectory of UAE imports for  
24 whatever reason, when you see the pricing of UAE  
25 imports for whatever motivation. The facts are the

1 facts.

2 At the end of the day when you look at the  
3 record in front of you, you'll see that this industry  
4 is being materially injured and that the actions of  
5 the UAE producers and exports and our USA importers  
6 are further threatening the industry with material  
7 injury. Thank you very much.

8 MR. DEFILIPPO: Thank you very much,  
9 Mr. Gordon.

10 We will now have closing statements from  
11 Mr. Marshak.

12 MR. MARSHAK: This is my favorite reality  
13 show. Let's talk about fantasy, reality, and history.  
14 We had an anti-dumping duty order nails from China.  
15 So who approached the biggest customer in the United  
16 States? Mr. Ved reached out to Ms. Zinman. They'd  
17 done business in the past and say, hey, please come to  
18 us. We could do something. We could help.

19 Did any company in the United States come to  
20 Ms. Zinman and say the same thing? Have we heard any  
21 testimony today that any company in the United States  
22 did what Mr. Ved did? No. And that's reality and  
23 that's history.

24 The Commission needs to place Mid Con's  
25 allegations in perspective. In 2007, there was an



1 allegation of dumping 105 percent. The decision was  
2 zero. In 2007, there was an allegation that if you  
3 just put an order on China the product is going to  
4 come back to the United States because other imports  
5 just aren't going to take its place. That didn't  
6 happen. And there's no reason to believe that what  
7 didn't happen four years ago is going to happen again.

8           If we get by this preliminary stage, and we  
9 hope we don't, we don't believe we're going to have  
10 margins. But if we're back here, we believe you'll  
11 find no injury. But if you find injury and if we have  
12 a margin, it's not going to come back to the United  
13 States. They may have the theoretical capability, but  
14 when they had the chance after the China order was  
15 placed they didn't take the opportunity. And if they  
16 didn't take the opportunity in 2007/2008, why should  
17 they take the opportunity to go try to sell to  
18 Ms. Zinman today?

19           You've heard today testimony from our panel  
20 of customers. We had the largest customer and we had  
21 two small customers that were here on Mr. Ved's  
22 behalf. On the other side we had Mid Con. Did we  
23 have a customer? There were no customers. Our  
24 customers are supporting us. Our customers are  
25 backing up what we say. I don't know if that's the

1 case with Mid Con.

2           Look at the record. We put on the public  
3 record and they were looking at it last night. They  
4 were looking at our catalogs. Dubai Wire has a  
5 185-page catalog. They sell 1400 SKUs. PrimeSource  
6 has two catalogs. They have one catalog for bulk  
7 nails, 47 page, collated nails, 53 pages. If Mid Con  
8 was proud of their product line, should they have put  
9 a catalog on the record? No. Did they put their  
10 website, the pages on the record? No. Look at the  
11 marketing. Look what we've done to market nails in  
12 the United States. It's all on the record. It's in  
13 black and white. Look at what we have on the other  
14 side. Nothing.

15           What's left to do after this hearing, and I  
16 don't know how you're going to do this with five cases  
17 over a holiday weekend, but you're going to have to  
18 crunch the numbers and you're going to have to do it  
19 very quickly. Right now the data is not complete, but  
20 we're confident that when the numbers are crunched and  
21 when this all comes out what it's going to show is  
22 that the domestic industry has survived the storm.  
23 They're no worse off today than they were in 2008 and  
24 look at what's happened to the economy.

25           So if you look at the nail industry compared

1 to housing starts compared to the economy as a whole,  
2 they've done okay. They haven't been injured.  
3 They've made it through the bad times. And if they've  
4 made it through the bad times, they'll make through in  
5 the future. There is going to be a nail industry in  
6 the United States. We're not taking over the entire  
7 world, but it's going to be small. It's going to be  
8 what it is today. And the market share they had in  
9 2008, which we believe is similar to 2009, which we  
10 believe is similar to 2010, there's no reason why it  
11 can't stay the same in the future. But what won't  
12 happen, because they don't have the capability -- they  
13 may have the theoretical capability, but in reality  
14 they don't have the practical capability is to service  
15 a company like PrimeSource.

16 And again the reason why UAE imports doubled  
17 because PrimeSource made a business decision and  
18 that's the reason for the imports, and it wasn't based  
19 on price. And if it's not based on price, there  
20 should be no injury by reason of imports.

21 And when you crunch the numbers, you're  
22 going to see there's no correlation. You see imports  
23 are going up at a particular time, but when imports go  
24 up prices are going up and domestic performance is not  
25 going down.

1           So let's look at the future. We found out  
2           in the past that placing an order on Chinese nails it  
3           didn't do the trick. They came back four years ago.  
4           The same thing now, placing an order on nails from the  
5           UAE is not going to do it. Domestics are here. They  
6           have their niche, but they're not going to be able to  
7           sell enough nails in enough SKUs to meet the needs of  
8           a client who sells to 34 distributions in 28 states in  
9           the United States. And probably, and I don't know the  
10          data, and I'm speculating. I bet that PrimeSource  
11          employs more people distributing nails, distributing  
12          its product that are manufacturing nails and these are  
13          U.S. workers. And the purpose here is to help the  
14          U.S. industry and to help U.S. workers and to keep  
15          employment in the United States. So we have a  
16          thousand workers on distribution centers and there are  
17          much American workers as the workers that are making  
18          nails.

19                 Simply stated, the anti-dumping duty order  
20                 will not work. The U.S. industry will not benefit  
21                 from the order. And we respectfully submit, and we  
22                 ask the Commission don't be fooled again. Thank you.

23                 MS. DEFILIPPO: Thank you, Mr. Marshak.

24                 On behalf of the Commission and the staff, I  
25                 would like to thank the witnesses who came here today

1 as well as counsel for helping us gain a better  
2 understanding of the product and the conditions of  
3 competition in the steel nails industry.

4 Before concluding, please let me mention a  
5 few dates to keep in mind. The deadline for  
6 submission of corrections to the transcript and for  
7 submission of post-conference briefs is Tuesday, April  
8 26. If briefs contain business proprietary  
9 information, a public version is due on April 27. The  
10 Commission has tentatively scheduled its vote on this  
11 investigation for May 16 and it will report its  
12 determinations to the Secretary of the Department of  
13 Commerce on May 16. Commissioners opinions will be  
14 transmitted to the Department of Commerce on May 23.

15 Thank you all for coming. And with that,  
16 this conference is adjourned.

17 (Whereupon, at 11:22 a.m., the preliminary  
18 conference in the above-entitled was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Steel Nails from the  
United Arab Emirates

**INVESTIGATION NO.:** 731-TA-1185

**HEARING DATE:** April 21, 2011

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Preliminary Conference

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

**DATE:** April 21, 2010

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

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