

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
STEEL RACKS FROM CHINA ) 701-TA-608 AND 731-TA-1420 (PRELIMINARY)

Pages: 1 - 180  
Place: Washington, D.C.  
Date: Wednesday, July 11, 2018



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:            ) Investigation Nos.:  
Steel Racks from China    ) 701-TA-608 AND 731-TA-1420  
                                  ) (PRELIMINARY)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Wednesday, July 11, 2018

The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Douglas Corkran, Acting  
Director, Office of Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 William R. Bishop, Supervisory Hearings and Information  
4 Officer

5 Tyrell Burch, Program Support Specialist

6 Sharon Bellamy, Records Management Specialist

7

8

9 Douglas Corkran, Acting Director, Office of  
10 Investigations

11 Elizabeth Haines, Supervisory Investigator

12 Amelia Shister, Investigator

13 Karl Tsuji, International Trade Analyst

14 Jonathan Ruder, Economist

15 Courtney McNamara, Attorney/Advisor

16

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1 APPEARANCES:

2 Opening Remarks:

3 In Support of Imposition (Christopher T. Cloutier, Schagrin  
4 Associates)

5 In Opposition to Imposition (Gregory S. Menegaz, DeKieffer &  
6 Horgan, PLLC)

7

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

10 Schagrin Associates

11 Washington, DC

12 on behalf of

13 Coalition for Fair Rack Imports

14 Jay Anderson, President, Steel King Industries, Inc.

15 Blanton Bartlett, President, Hannibal Industries, Inc.

16 Pat Peplowski, Chief Executive Officer, Heartland Steel  
17 Products

18 Paul Neal, Vice President of Sales, UNARCO Material  
19 Handling, Inc.

20 Dave Olson, National Sales & Marketing Manager,  
21 Ridg-U-Rak

22 Roger B. Schagrin, Christopher T. Cloutier and  
23 Elizabeth J. Drake - Of Counsel

24

25

1 In Opposition to the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3 Husch Blackwell LLP

4 Washington, DC

5 on behalf of

6 JS Products, Inc.

7 Jared Hanlon, Project Manager, JS Products, Inc.

8 Nithya Nagarajan and Stephen Brophy - Of Counsel

9

10 DeKieffer & Horgan, PLLC

11 Washington, DC

12 on behalf of

13 United Materials Handling, Inc.

14 Ryan Bartlett, President, United Materials Handling,

15 Inc.

16 Gregory S. Menegaz - Of Counsel

17

18 Rebuttal/Closing Remarks:

19 In Support of Imposition (Elizabeth J. Drake, Schagrin

20 Associates)

21 In Opposition to Imposition (Gregory S. Menegaz, DeKieffer &

22 Horgan, PLLC)

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1 P R O C E E D I N G S

2 (9:30 a.m.)

3 MR. BISHOP: Will the room please come to order?

4 MR. CORKRAN: Good morning and welcome to the  
5 United States International Trade Commission's conference in  
6 connection with the preliminary phase of anti-dumping and  
7 countervailing duty investigation numbers 701-TA-608 and  
8 731-TA-1420 concerning steel racks from China.

9 My name is Douglas Corkran. I'm the Acting  
10 Director of the Office of Investigations and I will preside  
11 at this conference.

12 Among those present from the Commission staff  
13 are to my far right, Elizabeth Haines, the Supervisory  
14 Investigator; Amelia Shister, the Investigator; and to my  
15 left, Courtney McNamara, the Attorney/Adviser; Jonathan  
16 Ruder, the Economist; and Karl Tsuji, the Industry Analyst.

17 I understand that parties are aware of time  
18 allocations. Any questions regarding time allocations  
19 should be addressed with the Secretary. I'd remind speakers  
20 not to refer in your comments to business proprietary  
21 information and to speak directly into the microphones.

22 We also ask that you state your name and  
23 affiliation for the record before beginning your  
24 presentation or answering questions for the benefit of the  
25 court reporter.



1 All witnesses must be sworn in before presenting  
2 testimony.

3 Are there any questions? Mr. Secretary, are  
4 there any preliminary matters?

5 MR. BISHOP: No, Mr. Chairman.

6 MR. CORKRAN: Very well, let us begin with  
7 opening remarks.

8 MR. BISHOP: Opening remarks on behalf of those  
9 in support of imposition will be given by Christopher T.  
10 Cloutier of Schagrin Associations.

11 Mr. Cloutier, you have five minutes.

12 OPENING STATEMENT OF CHRISTOPHER T. CLOUTIER

13 MR. CLOUTIER: Good morning, Mr. Corkran and  
14 Commission staff. I'm Chris Cloutier of Schagrin  
15 Associates, counsel to the Coalition for Fair Rack Imports.

16 The coalition is a group of nine domestic rack  
17 producers. Our broad array of companies has facilities  
18 spread across the United States, including in California,  
19 Colorado, Georgia, Tennessee, Texas, Michigan, Ohio,  
20 Pennsylvania, Virginia, West Virginia, and Wisconsin.

21 Representatives of five member companies have  
22 traveled to Washington to answer your questions about their  
23 industry today. All of the factors that the Commission  
24 traditionally looks at with regard to the domestic-like  
25 product militate toward a finding of a single domestic-like

1 product here. As we discussed in the petition, and as you  
2 will hear later this morning, the physical characteristics  
3 and uses of steel racks are all essentially the same.

4 Steel racks are made from the same materials  
5 through the same processes regardless of where they are  
6 manufactured. Standardized sizes and configurations mean  
7 that Chinese steel rack components often can be used  
8 interchangeably with U.S. product. Because of this  
9 interchangeability, price is often the determining factor in  
10 determining which producer makes a sale.

11 As you know, steel racks are imported under  
12 basket tariff categories, which necessitated the use of  
13 estimates for import volumes in the petition. These  
14 estimates showed significant growth in import volumes from  
15 2015 through the first quarter of 2018.

16 Our initial review of the importer questionnaire  
17 responses released on Monday evening confirms that import  
18 volumes increased over the POI. This growth in import  
19 volumes outpaced growth in demand, leading to higher market  
20 share for Chinese imports. Thus, subject imports are  
21 increasing on both an absolute and a relative basis.

22 Subject imports have had a deleterious effect on  
23 the price of steel racks in the United States. As you might  
24 imagine, steel accounts for a large percentage of the cost  
25 of producing a rack. The price of steel in China is

1 extremely distorted as a result of widespread government  
2 subsidization and overcapacity.

3 This means that Chinese producers of subject  
4 merchandise are able to obtain the raw materials at  
5 artificially low prices and in turn, sell their racks in the  
6 United States at distorted prices.

7 Subject imports of steel racks routinely  
8 undersell the domestic-like product. We provided real life  
9 examples in the petition and believe that the questionnaires  
10 you have collect support our allegations.

11 Distributors of steel racks regularly tell our  
12 coalition members that Chinese racks are priced between 20  
13 and 25 percent below the domestic-like product.

14 Not surprisingly, the steady stream of  
15 low-priced Chinese imports appear to have suppressed and  
16 depressed pricing in the United States even as demand was  
17 rising. And when raw material costs began to rise later in  
18 the period, U.S. producers were not able to pass on these  
19 costs and have in fact been forced to accept suppressed  
20 prices, because of the pressure from Chinese imports.

21 Higher costs, suppressed prices, and declining  
22 market share have taken their toll on domestic producers.  
23 Despite robust demand, they were unable to increase  
24 shipments or prices at the same pace and a growing  
25 cost-price squeeze led to lower operating income in 2017 and

1 the interim period. Net income followed generally the same  
2 trend.

3 The domestic industry's increasing inventories  
4 and declining profitability are both attributable to the  
5 rapid increase in dumped and subsidized steel racks from  
6 China. Nonsubject imports did not increase at nearly the  
7 same rate and entered at average unit values that were well  
8 above Chinese values, indicating that Chinese imports are a  
9 substantial cause of the domestic industry's injury.

10 With regard to threat, it's worth noting that  
11 the Chinese government has built a mammoth steel industry  
12 and Chinese steel producers do not need to follow market  
13 signals because of government support.

14 As countries around the world increasingly shut  
15 out unfairly traded Chinese flat-rolled products, more input  
16 material for steel racks will become available for Chinese  
17 producers.

18 All steel imports from China into the U.S. are  
19 now covered by some combination of dumping and  
20 countervailing duties and 232 duties, but steel racks are  
21 not covered by any such additional duties.

22 In the absence of relief, the U.S. steel rack  
23 industry will be forced to compete with rising volumes of  
24 unfairly traded product, meaning that the domestic industry  
25 is not only currently suffering material injury, but is also

1 threatened with material injury -- threatened with  
2 additional material injury. Thank you.

3 MR. BISHOP: Thank you, Mr. Cloutier.

4 Opening remarks on behalf of those in opposition  
5 to imposition will be given by Gregory S. Menegaz of  
6 DeKieffer & Horgan.

7 Mr. Menegaz, you have five minutes.

8 OPENING STATEMENT OF GREGORY S. MENEGAZ

9 MR. MENEGAZ: Thanks, everybody. My name is  
10 Gregory Menegaz of the law firm of DeKieffer & Horgan and  
11 I'm here representing United Material Handling, an importer  
12 and distributor.

13 Also here today will be JS Products, represented  
14 by the law firm of Husch Blackwell, and they will be making  
15 a like product argument.

16 MR. BISHOP: A little closer to your mike,  
17 please, Greg.

18 MR. MENEGAZ: Yes. On behalf of UMH and other  
19 interested parties and attendants, we oppose the petitions.  
20 As Mr. Ryan Bartlett, president of UMH will explain, and as  
21 we will further document in our post-conference brief,  
22 petitioners' volume analysis is unusable and indeed highly  
23 misleading. Whereas petitions would have the Commission  
24 believe that the Chinese occupy a very substantial minority  
25 of the U.S. market, the opposite is in fact true. Instead,

1 the market is more or less dominated by U.S. production and  
2 imports of nonsubject merchandise from Mexico.

3 Petitioners derive their market share analysis  
4 from a purely hypothetical guess about the percentage of the  
5 basket category HTS imports composed of the subject  
6 merchandise. And that's referenced at page 18 and  
7 associated notes of Volume I of the petition. Their guess  
8 does not square with reality and cannot be corroborated.

9 In contrast, UMH has done its own research and  
10 it shows that the import volumes or market share of the  
11 Chinese subject racks are indeed far smaller.

12 As petitioners' numbers are way off and highly  
13 exaggerated, all of their injury analysis is flawed as well.  
14 The subject merchandise is not gobbling up market share at  
15 petitioners' expense. The petitioners can see that the same  
16 data problem makes the underselling analysis difficult. UMH  
17 will speak in greater detail about why it believes there's  
18 not significant underselling later in its testimony.

19 Petitioners are winning plenty of head-to-head  
20 battles and there are significant differences between the  
21 products and services they offer compared to those offered  
22 by UMH.

23 Finally, UMH is perplexed at petitioner's need  
24 to file the petitions at this time. UMH's understanding is  
25 that the entire industry has enjoyed healthy profits over

1 the past three years as the dotcom revolution has really  
2 taken off. More sales for Amazon means more rack systems  
3 for its stock of inventory. And more rack systems means  
4 profits for the petitioners and UMH alike.

5 With respect to threat, you know, we haven't  
6 fully digested the data release, but our understanding is  
7 that the Chinese subject merchandise has been relatively  
8 stable over the POI and that the Chinese industry has an  
9 expanding domestic market and expanding third country  
10 markets, all at the same time, where everybody here today  
11 will have to recognize that the dotcom revolution, so to  
12 speak, will continue through 2018. And there is a note to  
13 that effect in the petition at page 19, note 20, where they  
14 cite an article to that effect.

15 So we are basically all in a booming market that  
16 is expanding worldwide essentially. And for all these  
17 reasons, we do not believe there's any reasonable indication  
18 of material injury or threat of injury and we look forward  
19 to making our presentation later in this proceeding. Thank  
20 you very much.

21 MR. BISHOP: Thank you, Mr. Menegaz.

22 Would the panel in support of the imposition of  
23 anti-dumping and countervailing duty orders please come  
24 forward and be seated?

25 Mr. Chairman, all witnesses on this panel have

1       been sworn in. This panel has 60 minutes for their direct  
2       testimony.

3                   MR. BISHOP: I would remind everyone to please  
4       make sure you speak directly into your microphone and  
5       identify yourself for the benefit of the court reporter.  
6       Thank you.

7                   MR. SCHAGRIN: Good morning, Mr. Corkran and  
8       members of the Commission staff. For the record, my name is  
9       Roger Schagrin of Schagrin Associates and we are counsel to  
10      the petitioner or the Coalition for Fair Rack Imports.

11                   Our first witness today will be Mr. Blanton  
12      Bartlett, the president of Hannibal Industries.

13                   STATEMENT OF BLANTON BARTLETT

14                   MR. BARTLETT: Good morning, Mr. Corkran and  
15      members of the Commission staff. My name is Blanton  
16      Bartlett. I am the president of Hannibal Industries,  
17      Incorporated.

18                   Hannibal was founded in 1985 as a successor to  
19      Kaiser Steel Tube and is headquartered in Los Angeles. I've  
20      been with the company for 30 years. Hannibal got in the  
21      material handling industry's business in 1997 and now  
22      racking is the largest part of our business.

23                   Our company became an ESOP in 2008 and is now  
24      the largest U.S. manufacturer of steel racks west of the  
25      Mississippi.



1                   We operate two manufacturing locations for steel  
2 racks, one in Los Angeles and one in Houston. We make both  
3 roll form and structural rack in a wide array of styles,  
4 configurations, including selective racks, cantilever rack,  
5 pushback systems, palette flow and case flow systems, and  
6 drive in racks. We serve a national market and have more  
7 than 400 full time contract employees.

8                   Chinese racks are highly interchangeable with  
9 domestic racks. We have seen Chinese manufacturers  
10 advertise that they produce the full range of racks,  
11 including all the forms that we produce, that we and other  
12 domestic producers make.

13                   In addition, many racks are made to standard  
14 dimensions, so that parts from different producers can be  
15 assembled into the same system. In fact, we now see a lot  
16 of distributors putting out requests for quotes from us and  
17 for just parts of the racking system, like the frames, but  
18 not the beams.

19                   We believe this is because more and more  
20 distributors are putting together bids for their customers  
21 then include a combination of domestic and Chinese parts in  
22 the same system in order to lower the costs.

23                   Previously, all the main parts would have come  
24 from us. In short, domestic and Chinese racks have the same  
25 basic physical properties and serve the same end needs.

1 They are highly interchangeable even within a single racking  
2 system. Because of this, competition now becomes down to  
3 the price.

4 We've been hearing more and more from our  
5 customers about steel racks from China over the past two  
6 years. We hear about aggressively low-priced Chinese rack  
7 from our distributor customers, where we compete with  
8 Chinese product every day.

9 Chinese rack has fully inundated the  
10 distribution channel for steel racks. Five years ago, there  
11 were only a handful of distributors that handled Chinese  
12 product. Today, I estimate that at least half of our  
13 distributors are dealing in Chinese product.

14 As one example, we received an email from a  
15 major distributor just a couple weeks ago. He quoted our  
16 product for a job, but lost the product to imported Chinese  
17 rack. The Chinese price was far below our price, even  
18 before the distributor mark up.

19 With both Chinese and domestic product in the  
20 same specs, the end customers opt for the much lower Chinese  
21 product. Our distributor informed us that we will need to  
22 lower our prices if we wanted to compete with Chinese  
23 product going forward.

24 We also hear about low Chinese prices from our  
25 direct retail customers. While import penetration has been

1 somewhat slower in the direct sales channel, we foresee it  
2 accelerating quickly if relief is not imposed.

3 The fact that Chinese is available at low prices  
4 is well known in the industry and big retail customers can  
5 and will use this fact to put price pressure on us when  
6 contracts are up for bid or renewal.

7 In 2014 and '15, demand for steel racks was  
8 projected to grow by leaps and bounds. Demand for steel  
9 racks depends in part on the general economy, so growth in  
10 big box retail sales, manufacturing, and logistics' needs  
11 often contribute to more rack demand, but there is a deeper,  
12 ongoing change in the economy that has propelled a rapid  
13 rise in demand for steel racks that far outstrips general  
14 economic activity alone.

15 As Internet commerce has boomed, and more and  
16 more consumers are ordering products to be delivered to  
17 their homes and offices rather than being picked up at  
18 store. This means more warehousing distribution and  
19 fulfillment centers across the country. This is true not  
20 only for e-retailers like Amazon, but also for more  
21 traditional retailers whose sales are increasingly made  
22 online.

23 As we look -- as we looked at forecasts for  
24 growth in the steel rack market in 2014 and '15, we decided  
25 the time is right to invest in a new facility. We opened

1 our new plant in Houston in 2016. We invested \$21 million  
2 in the new facility. Demand did grow as we expected, but we  
3 could not get to anticipate was even more rapid increase in  
4 imports of low-priced steel racks from China.

5 Chinese imports served the new demand instead of  
6 us, and now our Houston facility is operating below  
7 capacity. The influx of dumped and subsidized imports is  
8 preventing our company from earning the anticipated returns  
9 on its investment and threatens further injury if orders are  
10 not imposed.

11 The threat from China's imports grows every day.  
12 We are aware of Chinese imports that have grown, excuse me,  
13 we are aware of Chinese importers that have set up their own  
14 warehouses across country, so they can quickly ship to our  
15 distributors and customers from inventory with short lead  
16 times.

17 We originally heard of new warehouses being  
18 planned for the near future. With rapidly growing demand  
19 and relatively high prices, the U.S. market will continue to  
20 be very attractive to Chinese producers in the immediate  
21 future.

22 And Chinese producers have shown their  
23 willingness to take advantage of government subsidies, dump  
24 below cost, and use aggressive price undercutting to seize  
25 market share from the domestic industry.

1                   We believe all these facts strongly support and  
2                   an affirmative preliminary injury determination. I  
3                   appreciate the opportunity to be here today on behalf of the  
4                   employee owners of Hannibal Industries and look forward to  
5                   any questions you may have. Thank you.

6                   MR. SCHAGRIN: Thank you, Mr. Bartlett.

7                   STATEMENT OF PAT PEPLOWSKI

8                   MR. PEPLOWSKI: Good morning Mr. Corkran and  
9                   members of the Commission staff. For the record, my name is  
10                  Pat Peplowski, and I am the CEO of Heartland Steel.  
11                  Heartland Steel is located in Marysville, Michigan, and the  
12                  company dates back to the 1940's. I have been in the steel  
13                  racks industry for 21 years, and I have been with Heartland  
14                  for 11 years.

15                 We produce a full range of both roll-formed  
16                 and structural steel racks, including selective racks,  
17                 drive-in/drive-through racks, pushback racks, power flow  
18                 racks, and cantilever racks. In addition to the Marysville  
19                 plant, we have plants in Marlette, Michigan and in Lodi,  
20                 California. We have invested in \$4 million in our Lodi  
21                 facility, primarily in new roll-forming equipment. We have  
22                 to get a return on that investment.

23                 We have a total of about 250 people whose jobs  
24                 depend on our racks business. We believe that increasing  
25                 demand would justify this new investment to expand our

1 capacity. The rise of e-commerce in particular has led to  
2 significant growth in demand for steel storage rack systems  
3 in Internet retailer storage, distribution and fulfillment  
4 centers.

5                   Unfortunately, the growth in imports from  
6 China has been faster than the growth in demand. This has  
7 not been because of any lack of capacity in the U.S.  
8 industry. Almost all of our California business and the  
9 vast majority of our Michigan business is through  
10 distributors. Those distributors can and do buy from our  
11 domestic competitors, and they also buy Chinese imports.

12                   Over the past 12 to 18 months, as our costs  
13 have been increasing, we have been hearing more and mor  
14 about low Chinese prices. In fact, some of our  
15 longest-standing largest stocking distributors have shifted  
16 from primarily inventorying our products to primarily  
17 inventorying Chinese products.

18                   During 2018, we have seen a 65 percent  
19 increase in our steel cost compared to 2017. We have to  
20 either pass along most or all of these cost increases, or  
21 our margins disappear and we eventually go out of business.  
22 Due to the Chinese competition, we have been faced with a  
23 choice of either holding the line with customers to keep our  
24 volume, or passing along the cost increases and losing  
25 volume. We have given up volume.



1 members of the Commission staff. For the record, my name is  
2 Paul Neal. I'm the Vice President of Sales for UNARCO  
3 Material Handling, Inc. I have been with UNARCO for more  
4 than 14 years, and the company has manufactured roll form  
5 and structural racking for over 60 years.

6 UNARCO is headquartered in Springfield,  
7 Tennessee, where our largest manufacturing facility is  
8 located, and we have manufacturing plants in Lewisville,  
9 Texas and Pandora, Ohio. UNARCO produces a wide range of  
10 steel racks, including carton flow, pallet flow, pushback,  
11 drive-in, pick modules and cantilever rack. There is a  
12 broad continuum of steel rack products produced in the  
13 United States.

14 Regardless of whether the rack is roll-formed  
15 or structural, and regardless of whether it is relatively  
16 simple, static, selective rack or a more complex dynamic  
17 system, all rack is made from the same basic materials and  
18 serve the same function. All steel racks are made from  
19 steel and they all include vertical and horizontal members  
20 that connect securely to provide strong, stable and  
21 accessible storage for industrial and commercial  
22 applications.

23 We sell our products nationwide, serving  
24 orders from a few dollars to over \$10 million. We sell our  
25 product directly to customers such as retail chains, as well



1 as sell through dealers that distribute our product to the  
2 ultimate end users. Distributors in the material handling  
3 industry routinely offer products from more than one  
4 manufacturer, and many will offer both domestic and Chinese  
5 racks.

6 Their end users will want three bids or  
7 oftentimes want three bids from a single distributor for any  
8 project, so they compare products and pricing. Distributors  
9 that do not offer Chinese product get outbid competing with  
10 distributors who do. This is pushing more and more  
11 distributors to offer Chinese options to their customers.  
12 At this point, it is becoming something that customers  
13 demand, because of the much lower prices.

14 While our direct sales are under contract,  
15 when these contracts are up for renewal they will put out  
16 the bid to multiple parties, and we face the risk of losing  
17 those contracts if we're not competitive with other offers.  
18 Imports from Chinese are rapidly changing the U.S. market  
19 for steel racks. The pace at which Chinese racks are  
20 penetrating our market has only accelerated and will  
21 continue to do so if duties are not imposed.

22 Importers are using very low pricing to gain  
23 market share at the direct expense of direct domestic  
24 producers. While we try to use our engineering and service  
25 as key selling points for our customers, dealers and

1 integrators that handle imported rack also provide their own  
2 engineering and service to the end users.

3 As a result, our rack competes head to head  
4 against imported rack from China on the basis of price. For  
5 example, one of our key dealer customers buys rack from us  
6 as well as from China. He told us that Chinese prices were  
7 so low that he could sell it to his own end user customers  
8 at the same price as we sold it to the dealer and still make  
9 a 20 or 25 percent margin on the Chinese product.

10 When prices are that low, there is no way for  
11 us to match and still make any kind of reasonable return.  
12 The rack industry is by nature a very low margin industry.  
13 There is simply no room for us to lower our prices and stay  
14 profitable, particularly as raw material costs increase.  
15 For all these reasons, we ask the Commission to make an  
16 affirmative determination. Thank you.

17 MR. SCHAGRIN: Thank you, Mr. Neal. Our next  
18 witness is Dave Olson, the National Sales and Marketing  
19 Manager of Ridg-U-Rak.

20 STATEMENT OF DAVE OLSON

21 MR. OLSON: Good morning Mr. Corkran and  
22 members of the Commission staff. My name is Dave Olson. I  
23 am the National Sales and Marketing Manager for Ridg-U-Rak.  
24 Ridg-U-Rak is located in northeast Pennsylvania, where it  
25 employs 320 people. I personally have been in the rack

1 industry since 1992, and have been with Ridg-U-Rak since  
2 2006.

3 Ridg-U-Rak is one of the oldest rack  
4 manufacturers in the United States, and is a founding member  
5 of the Rack Manufacturers Institute. In business  
6 continuously for 76 years, we produce mostly roll-formed  
7 rack but also some structural rack. We produce a full array  
8 of steel material handling products, including selective  
9 rack, pushback, drive in and gravity flow rack.

10 One of the primary product lines of  
11 roll-formed pallet rack is called teardrop, because of the  
12 teardrop shaped holes along the vertical upright columns  
13 into which the horizontal shelf beams are connected. Most  
14 U.S. rack manufacturers make a version of teardrop style  
15 racks. These common parts in the U.S. are sometimes  
16 referred to as interchange rack or interchangeable systems.

17 Because parts from different manufacturers are  
18 made so that they could be used together in a single system,  
19 Chinese producers have closely duplicated the teardrop style  
20 racks that are often used domestic components to complete a  
21 rack system configuration. While we discourage mixing rack  
22 components from different rack manufacturers, the practice  
23 is commonplace at an increasing rate.

24 This expanding trend makes our market highly  
25 susceptible to low-priced Chinese racks that can be used in

1 the same systems where our own products are used.  
2 Ridg-U-Rak is a national-based sales company and we serve  
3 every corner of the country. Our racks are sold primarily  
4 through two types of channels. Most of our industrial sales  
5 are through distributors and material handling system  
6 integration companies.

7           These distributors and integrators sell the  
8 racks to the ultimate end users, and they may install the  
9 racks for them as well. The other portion of our sales are  
10 made direct to national accounts of retailers and logistics  
11 companies. The retailers may use our products on the sales  
12 floor of big box stores like Lowe's or COSTCO, in the back  
13 room of the store or in their distribution warehouses.  
14 Whether our racks are used in retail or industrial  
15 applications, they serve the same fundamental purposes,  
16 which is store palletized loads in a strong, stable and  
17 accessible storage system.

18           Distributors often sell racks from a number of  
19 manufacturers. Stocking distributors will carry common size  
20 products in their warehouses, to sell in a quick ship  
21 process. They also often place drop ship custom design rack  
22 orders for specific projects. When they have a specific  
23 drop ship project to bid, we provide a quotation with our  
24 prices to them, and they in turn provide a quotation to  
25 their client.

1                   Our competitors often quote the same projects  
2                   as well, either direct or with other distributors. Because  
3                   many rack components are interchangeable, serving the same  
4                   basic function, prices play an important roles in the bids  
5                   our distributors choose to quote their customers. Those  
6                   distributors that have stayed with our product even though  
7                   they're higher priced have lost substantial business as a  
8                   result. When they lose business, Ridg-U-Rak loses  
9                   business.

10                   Our national retail accounts are typically set  
11                   up on a contract basis. Larger retail accounts will  
12                   typically contract with more than one rack manufacturer, so  
13                   that our prices have to be competitive in order to win and  
14                   renew these contracts.

15                   A retailer will give us a certain share of new  
16                   projects for the upcoming year. We also stock a fair amount  
17                   of standard product for them, so that we can quickly service  
18                   any immediate needs they have to add or change racking  
19                   systems in their current stores. The success of our  
20                   business is highly dependent on our ability to pass along  
21                   the cost of steel, which is by far our primary input cost.

22                   Our roll-form product, which is the majority  
23                   of our production, we buy master coils mill-direct. At any  
24                   point in time we'll have about three months' supply of steel  
25                   in the pipeline, and at any given time the coils may be in

1 our warehouse, being slit at a processor or placed on order.

2 Steel currently accounts for about 65 percent  
3 of our product cost. That percentage may continue to  
4 increase due to the impact of imposed steel tariffs. This  
5 makes us highly vulnerable to competition from low-priced  
6 Chinese imports. The Chinese steel industry continues to  
7 have massive overcapacity and receive large government  
8 subsidies.

9 They will have every incentive to ship  
10 production and exports to downstream steel products in order  
11 to continue overloading their excess production in other  
12 markets. If relief is not imposed, rising volumes of dumped  
13 and subsidized imports will eat further into our market  
14 share, sales revenue and profits at the worse possible time.

15 To avoid further harm to our industry, we ask  
16 the Commission to make an affirmative preliminary  
17 determination. I thank you.

18 MR. SCHAGRIN: Thank you, Mr. Olson. Our last  
19 witness this morning will be Jay Anderson, the president of  
20 Steel King Industries. Mr. Anderson.

21 STATEMENT OF JAY ANDERSON

22 MR. ANDERSON: Good morning Mr. Corkran and  
23 members of the Commission staff. I'm Jay Anderson. I'm  
24 president of Steel King Industries. My father co-founded  
25 Steel King in 1970, and I've been with the company for 34

1 years, the past 17 as president.

2 Steel racks have been important part of Steel  
3 King's business since its founding. Today, we make steel  
4 racks and accessories at three plants in the United States,  
5 in Stevens Point, Wisconsin, New London, Wisconsin and in  
6 Rome, Georgia. We make both roll formed and structural  
7 racks.

8 Our input material for a roll form rack is  
9 split steel coils that are roll-formed into upright columns,  
10 beams and braces, while our input material for structural  
11 rack are structural shapes such as channels and angles.

12 The production process is otherwise similar  
13 for both. Uprights are punches, members are cut to length  
14 and the components are painted. Upright frames are welded  
15 together. When the racks are installed, the beams and the  
16 uprights are securely connected with bolts, rivets and other  
17 connectors. This process gives all steel racks similar  
18 essential characteristics, strength, stability and the  
19 ability to provide access to stored loads.

20 Many of you will be familiar with steel racks  
21 that are used in big box stores like Lowe's and Home Depot.  
22 Steel racks are also used for storage in manufacturing  
23 facilities, warehouses and fulfillment and distribution  
24 centers. Chinese steel racks are highly interchangeable  
25 with domestically produced steel racks.

1                   There are standard industry dimensions and  
2                   locking configurations for many types of racks, and they are  
3                   produced by a full range of both domestic and Chinese  
4                   producers. Some Chinese producers are members of our  
5                   industry trade association, and they advertise the  
6                   capability to produce all the same types of racks that we  
7                   produce.

8                   In addition, the R-mark developed by the Rack  
9                   Manufacturers Institute, otherwise known as RMI, which  
10                  signals to buyers that a rack has been designed to RMI  
11                  standards, is available to any producer that meets  
12                  requirements, whether the producer is domestic or foreign  
13                  and regardless of RMI membership.

14                  Thus, Chinese and domestic racks of the same  
15                  materials and configurations and meeting the same standards  
16                  compete largely on the basis of price. The growth in  
17                  e-commerce over the past few years has driven a large  
18                  increasing demand for steel racks, as retailers like Amazon  
19                  need ever-increasing amounts of warehouse space to store the  
20                  goods they sell and make them available for quick packaging  
21                  and delivery to customers all around the country.

22                  Our company has been proactive in trying to  
23                  make the most of this boom in demand. We made our  
24                  largest-ever capital investment in 2016 to improve our  
25                  production process and optimize our efficiency. At the



1 time, we justified the investment on the basis that it would  
2 allow us to run at higher production levels and increase our  
3 revenue.

4                   However, if our dealers continue to lose  
5 business to Chinese imports, we may not be able to sustain  
6 the sales and production volumes that these investments were  
7 designed to achieve. The only reason that we may have to  
8 sit on brand new under-utilized capacity while demand is  
9 booming is the massive increase in unfairly dumped and  
10 subsidized imports from China.

11                   We hear about the increased availability of  
12 low-priced Chinese racks directly from our distributors.  
13 Almost every dealer handles more than one manufacturer.  
14 Even those who don't sell Chinese product are competing  
15 against the distributors that do. Our distributors have  
16 told us that Chinese rack is priced 20 to 25 percent below  
17 domestic product. That price differential is simply  
18 impossible for us to overcome.

19                   Steel is about two-thirds of the cost of our  
20 manufacture, and we are highly dependent on trends in the  
21 steel market. The Chinese prices we have heard from our  
22 distributors are close to our cost of production, and not  
23 much higher than the cost of the steel itself. Because we  
24 simply cannot meet the Chinese price and still make a  
25 return, we have seen our volumes sold through distributors

1 decline, despite the rise in demand.

2 The price pressure from Chinese imports is  
3 only intensifying. Since 2016, I've been directly contacted  
4 by Chinese rack companies almost every month. The prices  
5 they are offering are sometimes almost a third less than our  
6 prices for similar products. If relief is not imposed, this  
7 aggressively price undercutting will only continue, helping  
8 Chinese racks gain a bigger and bigger share of the market.

9 I am deeply concerned about our industry's  
10 future if the surge in low-priced Chinese rack is not  
11 stemmed. Investments we have made are in jeopardy if we  
12 cannot earn a reasonable return. The company my father  
13 helped found has survived for almost 50 years. With more  
14 than 500 employees, there are thousands of people whose  
15 livelihoods depend on our company.

16 It is on behalf of these workers and their  
17 families that I urge the Commission to make an affirmative  
18 determination. Thank you.

19 MR. SCHAGRIN: I thank you, Mr. Anderson, and  
20 Mr. Corkran, that concludes this panel's direct testimony.  
21 We'd be happy to answer your questions.

22 MR. CORKRAN: Thank you very much, and thank  
23 you to all the members of the panel for coming here today.  
24 We really appreciate your testimony. It's very helpful for  
25 us as we explore this product and this market. I'm going to

1 turn initially to Ms. Amelia Shister, who is our  
2 Investigator for questioning.

3 MS. SHISTER: Thank you, Amelia Shister, Office  
4 of Investigations. Thank you all very much for coming and  
5 providing your testimony.

6 You will have to bear with me a little bit. It's  
7 a new product for the Commission, and so a lot of these  
8 questions may seem simple but they'll help us really get an  
9 idea of what exactly we're dealing with.

10 So basically because this is a new product and  
11 we've had some confusion on our end and with people in the  
12 market about what exactly this product is and what it looks  
13 like, can you just provide some clarification of what they  
14 are, what the end uses are, and sort of walk us through the  
15 production process a little bit?

16 MR. ANDERSON: In our industry we make a--

17 MR. BISHOP: Could you identify yourself,  
18 please?

19 MR. ANDERSON: Jay Anderson, Steel King  
20 Industries. In our industry we make a delineation between  
21 shelving, which is hand-loaded, and storage racks which are  
22 generally loaded by a fork truck, generally are holding  
23 palletized loads where shelving is normally boxes or cartons  
24 and things like that. So it's a heavier-duty system with  
25 higher load capacity capabilities. I hope that answers some

1 of your question.

2 MR. BARTLETT: Blanton Bartlett, Hannibal  
3 Industries, Los Angeles. The production process, we  
4 manufacture both a structural and a roll-formed pallet rack  
5 product. Under the roll-formed aspect, we buy large slit  
6 steel in 25- to 30-ton rolls. We slit it down to our  
7 narrower size, and then we put that narrower size on a  
8 roll-former machine which takes the flat steel, pieces of  
9 paper, goes through a series of rolls, and shapes it to the  
10 end product for the rack application, if it's a non-welded  
11 product for the most part. And in that process there is a  
12 stamping of the holes for the connection device. That's  
13 done prior to the actual roll-form process.

14 And then that product is then--that's the  
15 upright, what we call the portion of the frame that's the  
16 column of the frame. Then you take bracing and you put that  
17 on a jig, and you either have a welding person or a robotic  
18 welding cell that then welds the bracing into the uprights.  
19 And that becomes the frame for the system.

20 Then you also have beams which are used for the  
21 system, which are horizontal. And that's also a roll-form  
22 process, and that's a welded process. And that provides the  
23 horizontal member for the system, and that's what the  
24 product ends up sitting on. That's what we call "roll  
25 form."

1           There's also structural product, which is a long  
2 product that we manufacture. It's a channel that's kind of  
3 like half of an I-beam, if you know what an I-beam looks  
4 like. It's just half of an I-beam, and it's called a  
5 channel. And that we buy in certain lengths directly from  
6 the mill or a service center. And then we punch that on a  
7 press. And then we don't do any additional fabrication.  
8 And then we also produce beams that go with that upright.

9           All of our product, 99 percent of our product is  
10 then painted. It's a painted product that we provide to the  
11 marketplace. And that's kind of a basic details of the  
12 product.

13           MR. SCHAGRIN: This is Roger Schagrin. So like  
14 the Commission staff, one of the fun things about being  
15 International Trade counsel and trying to help U.S.  
16 industries gain relief from unfairly traded imports is, we  
17 at times, instead of doing the same steel cases every five  
18 years for 35 or 40 or 50 years, get to deal with new  
19 products and have to learn quickly.

20           And so as we were learning about this product,  
21 one of the things about it was--and one of the quickest ways  
22 to differentiate it--would be the difference between walking  
23 into a Home Depot or Lowe's where everything is displayed in  
24 those big box stores on racks, the racks that this industry  
25 makes, versus if you walk into a Walgreens or CVS drug

1 store, their products are on shelves. And this industry  
2 doesn't make shelving for retailers, for grocery stores, and  
3 for drug stores.

4 And then of course all of your warehouses, both  
5 fulfillment centers like the Amazons, as well as throughout  
6 industry whether it's a auto company, or a steel company,  
7 they store things in warehouses that--in which they use  
8 racking systems that they use forklifts to put products  
9 they're going to use in their manufacturing processes on  
10 pallets and then, you know, pull them out.

11 So this is very much a fulfillment center, big  
12 box retailer, warehouse storage product, and is not a  
13 general retailer, grocery store, drug store shelving  
14 product, if that helps.

15 MS. DRAKE: Ms. Shister, if I may--Elizabeth  
16 Drake of Schagrin Associates--there are also a couple of  
17 clarifications to the scope that we submitted to Commerce  
18 and also to the Commission on June 22nd--excuse me, 26th,  
19 and July 2nd, and a final one on July 9th where we made  
20 clear that we were excluding like wire shelving, boltless  
21 shelving, whether it came in prepackaged or not. There was  
22 additional information in the narratives of those responses  
23 defining some of the covered products. You know, what are  
24 the different types of beams that are covered, et cetera?

25 And I think one of the things we emphasized there

1 is the connection method between the beam and the upright is  
2 important in racks because they are carrying such heavy  
3 loads that are being loaded by forklifts. Even if it's a  
4 teardrop system, that there's a rivet that goes into the  
5 teardrop, there's an additional safety pin that goes on.  
6 Many of them are bolted. And so the connections--and  
7 there's a requirement in the industry standard about the  
8 minimum tension that the connection needs to be able to  
9 withstand. And so I think that's one of the distinguishing  
10 characteristics of these types of racks, and it's due to the  
11 heavier loads that they have to carry.

12 MS. SHISTER: Thank you very much. So sort of  
13 as a follow-up to that, the Petition also mentioned that the  
14 imported rack can come in either assembled or unassembled.  
15 And then it also said the prepackaged boltless, as an  
16 excluded product. But what does it look like when it comes  
17 in? Is it just sort of an assortment of unfinished channels  
18 that are coming in? And I guess the reason I ask is how do  
19 I know that these channels coming in are being used for a  
20 rack and not being used for some other structural use?

21 MS. DRAKE: Ms. Drake again, if I may, and  
22 others can answer. We believe they mostly at this point  
23 come in unassembled, because it wouldn't make sense to put  
24 together everything and then try to ship it in a container.  
25 But we wanted to include anything at any stage of assembly

1 for circumvention reasons of course.

2 We haven't yet had conversations with Customs in  
3 terms of enforcement at the border as part of the initiation  
4 process, but we do believe that the beams, most of them are  
5 step beams. So it's not just like a square or a rectangular  
6 tube. It has a special step in it so that the wire decking  
7 can--or other decking can fit onto that step.

8 Some of those beams also have regular punchings  
9 in them so that the decking can slot into the beams, as I  
10 understand it. And then it would also be the connecting  
11 pieces with the end connectors that often have pins that  
12 would show how they would slot into the upright and take  
13 the, you know, different connectors that would make clear  
14 that it was a covered beam that was intended to be used in a  
15 steel rack.

16 MS. SHISTER: Thank you. And to the best of  
17 your knowledge is there anyone in the--domestically who just  
18 specialized in assembling the different pieces? Or is it  
19 all of you send out your racks fully assembled?

20 MR. NEAL: This is Paul Neal with UNARCO Material  
21 Handling. The domestic manufacturers typically will send  
22 out a fully assembled system, whether it be welded or put  
23 together. There are some cases where it will be sent in  
24 what we'd call a knock-down fashion to the job site and  
25 assembled at the job site. You do that to reduce your



1 freight costs because it ships more efficiently knocked  
2 down. And that's what the Chinese would send over here.

3 Their beams or horizontal members would be, at  
4 least as far as I know, would be shipped in a finished  
5 state, fully painted and sent here, so there's no added  
6 value to that after it leaves China or whatever. And the  
7 horizontal--or the vertical frames would be what would be  
8 shipped knocked down, so you have your two frame posts,  
9 horizontals and diagonals, that are the bracing for the two  
10 posts to give it rigidity. And that's what would be sent in  
11 a knocked down fashion and assembled in the States. And  
12 that's done primarily for freight purposes so you can send  
13 more product. But it could be assembled at the importers  
14 warehouse, or I guess at the end-use site, which there is  
15 some domestic knock-down, bolt-together rack that ships both  
16 ways to their job site.

17 MS. SHISTER: Thank you. So are accessories for  
18 these racks, like casters, when they're not attached to the  
19 rack, are they--would they be included in this? So  
20 obviously if a rack comes in and it has wheels on it, it's  
21 included. But if just the wheels are coming in, would those  
22 wheels also be included in this?

23 MS. DRAKE: So pursuant to similar questions  
24 from Commerce, we clarified a list of covered accessories in  
25 the scope, and they would just be steel accessories. And

1 they tend to be sort of the same, like a column guard, or an  
2 end-row protector that are not like moving pieces but are  
3 set steel pieces that are bolted onto or are otherwise  
4 attached to the rack accessories. Like wire decking and all  
5 decking is specifically excluded. Also excluded is  
6 anything not made of steel. So a lot of like the rollers,  
7 or the wheels, or other moving parts are not made of steel  
8 and are not covered by the scope and largely not produced by  
9 the producers who produce the steel racks.

10 MS. SHISTER: Thank you. So there have been a  
11 few mentions of RTI. Is there any sort of specific  
12 relationship between the Coalition for Fair Rack Imports and  
13 RMI? Or do you all just happen to be members of both?

14 MR. SCHAGRIN: Roger Schagrin. No, there's no  
15 relationship between the Coalition for Fair Rack Imports and  
16 RMI. My understanding is RMI is a trade association of  
17 members of the rack industry that have been around for a  
18 long time to promote the use of racks and to set standards  
19 for racks.

20 RMI allows foreign producers to be members. So  
21 United Material Handling is a member of RMI, who you will  
22 hear from later today. They are obviously not a domestic  
23 rack manufacturer.

24 And in terms of RMI standards, as I believe was  
25 in testimony earlier this morning, any producers in the

1 world can say they meet RMI standards, and any producer in  
2 the world can, if they meet those standards, and I believe  
3 pay a fee to RMI, put an "R" tag on their rack. And so RMI  
4 serves a, you know, a very strong purpose in the rack  
5 industry and the rack market.

6 In fact, what allows--which is perfectly fair--it  
7 has made it easier for foreign producers to penetrate the  
8 U.S. market because it allows them to justifiably claim that  
9 their product meets RMI standards, or has an R tag and is  
10 therefore exactly the same as a steel rack produced in the  
11 United States.

12 MS. SHISTER: Thank you. So can you describe  
13 sort of the different uses between the different kinds of  
14 racks? You mentioned sort of drive-thru racks, and pallet  
15 racks, and are there different specific uses? And can you  
16 use one kind of rack for any sort of storage? Or can  
17 specific racks only be used for certain things?

18 MR. PEPLOWSKI: This is Pat Peplowski with  
19 Heartland Steel. Yes, there are about six or seven  
20 different types of steel storage systems that are made out  
21 or racking. And the applications are based on storage  
22 density in the fulfillment centers or warehouses, as well as  
23 based on accessibility of those products that are stored.

24 Products that are stored in the racking systems  
25 are typically full pallet loads, and are stored with the use

1 of lift trucks. So the simple analogy is a tradeoff of  
2 accessibility versus density of storage.

3 MS. SHISTER: Okay. And the different kinds of  
4 coating, you mentioned that most of the product is painted,  
5 but we have seen instances where some of this rack is  
6 galvanized, or there's some sort of other coating. Do those  
7 coatings have different uses? Or is it just personal  
8 preference?

9 MR. NEAL: This is Paul Neal with UNARCO. The  
10 different coatings are like a galvanized product, especially  
11 if it's hot-dipped, would be for a more corrosive  
12 environment, maybe being outside in the weather. I guess  
13 technically you could buy paint that would also be set up  
14 for that, but that's not a standard paint that any of the  
15 rack manufacturers do. So they'll hot-dip it. And then  
16 some of the accessories are made out of pre-galv, and that  
17 really doesn't--although the material cost is a little more  
18 for the pre-galv material instead of a hot-rolled black and  
19 then painting it, it costs less to make because you don't  
20 have to paint it. So some accessories like dropping  
21 crossbars or connectors that connect two frames together,  
22 those will often time be pre-galv, but them could be painted  
23 as well. It's just more cost-effective to buy pre-galv  
24 material and not have to paint it.

25 MS. SHISTER: Thank you. Is there a specific

1 kind of steel that's used, like a specific alloy, or  
2 stainless steel?

3 MR. OLSON: This is Dave Olson with Ridg-U-Rak.

4 The steel typically used is a high-strength, low-alloy  
5 steel. HSLA is a common term that's used out there. But  
6 it's a high-carbon steel. Generally the load-bearing  
7 members, whether they're the horizontal step-beam members or  
8 the vertical columns, are made of steel. I would say, by  
9 and large in our industry, and I can't verify, but likely  
10 from China as well, are made with a 50,000 psi or higher  
11 yield steel. That's referred to as a "structural grade  
12 coil" hot-rolled steel.

13 The structural shapes, the channels that are used  
14 in the vertical columns in the channels that are used in the  
15 horizontal beam members, generally are in that same 50,000  
16 psi yield or higher grade range. So they're a structural  
17 grade rated product.

18 MS. SHISTER: Thank you. And is there any sort  
19 of a market for custom racks? Or is it all pretty much  
20 standard?

21 MR. OLSON: There are clients that repeatedly  
22 buy the same products. In the retail market, for example,  
23 Home Depot or Lowe's, they have a basic footprint for their  
24 stores, and they repeatedly buy the same size products.

25 When you get into a logistics and distribution

1 environment where you're doing like an Amazon warehouse or  
2 something like that, those generally are custom-designed,  
3 not just for the application, but also the location. We  
4 have different earthquake parameters that we have to design  
5 to, around the United States. And so you have more custom  
6 on the project, the large-scale distribution, logistic-type  
7 projects.

8 Now, the exception to that would be in stocking  
9 programs, there are common sizes in the industrial world  
10 where people are using these in their manufacturing  
11 facilities or in their back-room facilities, some of them  
12 12-foot high vertical frame, 16-foot high vertical frames,  
13 and 8-foot long beams that are typically rated for specific  
14 load rating, say 5,000 pounds a shelf load for example. And  
15 those are standard stocked items that are readily available  
16 and shipped by both quick ship programs of manufacturers, as  
17 well as stocking distributors that hold those standard-size  
18 components. So kind of the whole mix of both custom and  
19 standard.

20 MS. SHISTER: Thank you. So what we'll do,  
21 especially understanding that a lot of this needs to be  
22 custom based on where the racks are going. What role does  
23 inventory play? Do you sell mostly out of inventory? Are  
24 you selling mostly made-to-order?

25 MR. ANDERSON: I imagine every company here has

1 a little bit different story on that. We do maintain that  
2 Steel King, a quick-ship inventory of standard-size items of  
3 the type that are the subject of this petition, the vast  
4 majority of the number of orders that we ship are standard  
5 stock inventory items.

6 We do actually do probably more on the volume  
7 side. We have a little bit higher volume in things that are  
8 not out of our stock program that are built to the customer  
9 requests. And maybe they need more than we have in  
10 inventory or they maybe want it to be a little different  
11 size, perhaps, but this is kind of interesting how we -- the  
12 majority of number of orders are standard, out of stock.  
13 The bigger, dollar volume is made to each order.

14 MR. SCHAGRIN: So, Ms. Shister, in this  
15 industry, both manufacturers carry inventory and as we'll,  
16 you know, note in our post-conference brief, one of our  
17 concerns and one of the statutory factors that Commission  
18 looks at is inventories to shipments. And we're finding  
19 that because of a big increase in imports that now, the  
20 industry's inventories are higher than they would like them  
21 to be compared to their shipments.

22 In addition, the role of, wanna refer to as  
23 stocking distributors, their role in the distribution  
24 channels is to stock these standard sizes. And in this  
25 industry, like some other distribution industries, there are

1       what might be determined to be large stocking distributors  
2       who will primarily sell to other distributors, who also  
3       stock inventory, as well as selling direct to customers.

4               So there's also kind of two different types of  
5       distributors. Some bigger master stocking distributors, and  
6       I think United Material Handling would view themselves in  
7       that category, and there's a few others in that category  
8       previously on the domestic side of things, and many still  
9       domestic.

10              And then lots of very, very small regionally  
11       focused distributors who are in the materials-handling  
12       business and carry products such as racks, forklift trucks  
13       -- the kinds of things that their customers would need to  
14       handle materials -- you would go to one distributor who  
15       would carry a range of items.

16              None of these companies make forklifts, but most  
17       of the distributors that they sell racks to, would carry the  
18       other items used in material distribution, such as, you  
19       know, forklifts, racks and shelving and this, that and the  
20       other thing.

21              MS. SHISTER: Thank you. So can the members of  
22       the industry sort of describe a little bit the relationship  
23       with the distributors. Do you have any sort of rebate  
24       programs with them? Any sort of loyalty programs? Or is it  
25       just sort of one off, a distributor needs something and so



1 they'll come to you for a bid?

2 MR. PEPLOWSKI: For us, we work with a wide  
3 variety of distributors. We don't offer a rebate program.  
4 And the distributors that we work with, as I mentioned in my  
5 testimony, not only work with us, but work with a lot of our  
6 competitors. So we have a few that have some long-standing  
7 relationships, but by and large, those distributors have the  
8 choice to buy from us or buy from anybody else.

9 MR. SCHAGRIN: And I would just say, if we need  
10 to clarify, we will in our post-conference brief. But I  
11 would say that Mr. Peplowski's answer seems to be the norm  
12 for the industry, that the relationships -- there's  
13 producers would like their distributors, particularly if  
14 they've distributed their products for fifty years, to at  
15 least be loyal to them.

16 But there seems to be just a tremendous amount  
17 of distributors, both changing whose products they stock,  
18 and because distributors often are bidding local projects,  
19 that those distributors at the time of the bid, will go out  
20 to multiple U.S. producers or importers and say, "I need to  
21 put together this package for this project. Supply me with  
22 pricing for this."

23 And I think you're gonna find now, routinely,  
24 distributors are not only shopping among various domestic  
25 producers, but now Chinese is often in the mix. I think

1       you'll see that as you start getting more and more  
2       verifications on your lost sales and lost revenue  
3       allegations that also distributors in this industry seem to  
4       be quite honest, and so you're gonna hear and you're really  
5       gonna hear when you get to purchaser questionnaires in the  
6       final that routinely distributors are finding imports from  
7       China available for the projects they wanna bid on and at  
8       much lower prices than domestic product.

9                   MS. SHISTER: Thank you. So, throughout  
10       testimony, we've learned that this product is produced  
11       basically all over the country. And so how far are your --  
12       how far does the product travel when it goes to either your  
13       distributor or your end-user? And how does it get there?

14                   MR. NEAL: UNARCO is similar to a lot of the  
15       other manufacturers here. We do sell nationwide. Freight  
16       typically will go in a -- more common for a rack  
17       manufacturer to ship the bulk of their product on a flat-bed  
18       truck over the road. It can also be shipped in a van or  
19       closed container, whether it be railcars or a van,  
20       tractor/trailer, closed container.

21                   And that's how it primarily gets there. You're  
22       more apt to have sales a little closer to your plant. So if  
23       they're competing against someone out West or someone out  
24       West will have a freight advantage like the guy sitting next  
25       to me, that's part of the equation. But it generally ships

1 over the road or can be shipped railcar as well.

2 MS. SHISTER: Great. So where do you source the  
3 raw materials for the racks? Is it domestic, steel,  
4 imported steel, a mix of both?

5 MR. ANDERSON: All of our steel is domestically  
6 sourced and primarily out of the Midwest.

7 MR. BARTLETT: We source both domestically and  
8 internationally, being in Los Angeles, a large port. So  
9 hence, the mixed changes, but right now, it's probably 65%  
10 domestic and the balance is imports.

11 MR. OLSON: We are 100% domestic steel. We buy  
12 probably 98%, 99% of our steel in what's referred to as  
13 master coils, milled or racked from companies like U.S.  
14 Steel, for example.

15 MR. PEPLOWSKI: We source all of our steel  
16 through the U.S. manufacturers in the Midwest.

17 MS. SHISTER: Thank you. Can you and perhaps,  
18 this is a question for counsel. Can you comment on the  
19 potential implications of the 232 and the 301, both in terms  
20 of raw materials and specific steel racks?

21 MR. SCHAGRIN: So first, 232. All of the steel  
22 components, be they steel coils, channels or angles, are all  
23 covered by the relief that President Trump has given in the  
24 form of a 25% tariff and/or in lieu of that 25% tariff, to  
25 the best of my knowledge, there are currently quota

1 agreements with Korea, Brazil, Argentina and Australia.

2 And again, the either steel coils or channels or  
3 angles, as basic steel products, are all included in those  
4 countries' quota agreements. The racks are not covered by  
5 the 232 tariffs. As to the current 301 tariffs with China,  
6 I cannot comment on last night's announcement, because I  
7 understand with the \$200 billion, it's approximately, you  
8 know, it's a couple of thousand HTS numbers, and we haven't  
9 had a chance to go through that.

10 We do know that, both in terms of the initial  
11 thirty-four billion of imports that were covered by the  
12 additional 25% tariffs, which I believe went into effect  
13 last Friday, that racks are not included there. Nor are  
14 they included in the HTS items of the additional sixteen  
15 billion, which is now out for comment. And I think we  
16 should address the 200 billion announced, I guess, last  
17 night, in our post-conference brief.

18 MS. SHISTER: Yes. Thank you. So can you all  
19 comment on the possibility of producing any out-of-scope  
20 merchandise? And what does that look like compared to these  
21 racks?

22 MR. SCHAGRIN: Some of these producers do make  
23 accessories in different parts of their plants, but the  
24 equipment that they utilize, the roll-forming equipment and  
25 the other equipment they have for putting together the

1 racks, are not used for making out-of-scope merchandise.  
2 It's a pretty dedicated manufacturing process for the racks.

3 MS. SHISTER: Thank you.

4 MR. ANDERSON: Our investment that I had  
5 mentioned in my testimony from 2016, the multiple millions  
6 of dollars of equipment that has no use other than making  
7 roll-formed racking.

8 MS. SHISTER: Thank you. So there's obviously  
9 ambiguity around the HTS numbers. Can you sort of provide a  
10 comment on what the import market actually looks like? Who  
11 the major players are, who we need to make sure we're  
12 getting data from?

13 MS. DRAKE: Yes, in the petition, we looked at a  
14 couple of basket categories and the one we use to estimate  
15 quantity was the only one that had any quantities reported.  
16 And in the importer questionnaire responses, we appreciate  
17 the fact that the staff asked importers to report the HTS  
18 numbers that they were importing the product under, so we'd  
19 like to take a look at that, since it's APO and address it  
20 in our post-conference brief.

21 We think that the current number of importer  
22 responses does not give full coverage of the subject  
23 imports. That's based both on what we have seen in the  
24 basket categories, but also on what we know of shipments in  
25 the aggregate of members of RMI that were used in the

1 petition, which includes Chinese producers.

2           So while we do think that whether you look at  
3 the basket category, and we do think that the basket  
4 category is a large portion of them would be these racks,  
5 given how heavy and large these components are--so we think  
6 our estimates are reasonable on that basis--because if you  
7 take the three baskets that are now in the main part of the  
8 scope after some discussion with Commerce, we only took half  
9 of the quantity of one of those three to estimate subject  
10 imports. So we do think that was a reasonable estimate.

11           But even just looking at the importer responses  
12 received to date, we do think at least a couple of the major  
13 players have responded and we think that the trends in that  
14 data match up with the trends that were described in the  
15 petition in terms of large increases. But we'd be happy to  
16 look at which importers are missing, and try to identify  
17 those that would be most worth the staff's effort to follow  
18 up with.

19           I would say that we did spend quite some time  
20 with Panjiva and Bill of Lading data to identify those  
21 importers, but identifying the quantities through that  
22 information was very difficult because it could be both  
23 under- and overinclusive if you just restrict it to pallet  
24 racks, you may not be covering beams and uprights that are  
25 actually used in pallet racks. So that's why we use the

1 basket categories instead.

2 MS. SHISTER: Thank you. And just sort of as a  
3 follow-up, in the post-conference brief, if you could go a  
4 little bit more into the basis for that 50% number, just so  
5 we can understand as we try to estimate our coverage.

6 MR. SCHAGRIN: And can I just add, so we know  
7 that whenever the Commission has to deal with imports that  
8 come in the basket categories, that makes life more  
9 difficult for you as it does for petitioners. And we know  
10 that you have to do a balancing act between relying on  
11 importers' questionnaires, which would be great if all the  
12 importers cooperated.

13 But I think we have to be very careful that the  
14 Commission, through its staff, and the Commission itself,  
15 doesn't send the signal to importers that, in this case, the  
16 Commission's gonna rely on just importers' questionnaires,  
17 because there are some, and obviously one of the biggest  
18 importers, UMH, you know, is involved in the case, and is  
19 cooperating, which is great.

20 But we don't want there to be a signal that,  
21 "Hey, importers, if you wanna get out of paying duties, the  
22 best thing you can do is, don't file importer questionnaires  
23 with the Commission, because then we can understate the  
24 volume of imports and import market share."

25 What is clear to me and so I didn't quite

1 understand some of the comments made in the opening  
2 statement of respondents when he said, you know, "Imports  
3 are actually pretty minimal and don't seem to be increasing  
4 significantly."

5 Just the information on the internet for the  
6 main U.S. importers is just full of their touting their  
7 expansion in the U.S. market. I mean the big importers,  
8 including United Material Handling, are expanding nationwide  
9 their distribution warehouses to carry Chinese imports.

10 So I mean we'll wait and hear their testimony  
11 later, but it's really tough to be out on the internet  
12 saying, "We're expanding nationwide," and opening up big,  
13 new inventory warehouses, and then come to the Commission  
14 and say, you know, "Imports are miniscule, and I think  
15 you're gonna see they're not increasing."

16 You're gonna see no matter what data you get,  
17 that imports of steel racks from China are increasing by  
18 very, very significant amounts and by percentages that dwarf  
19 what we all admit is increases in demand in the U.S.  
20 marketplace.

21 MS. SHISTER: Thank you. So there's nine firms  
22 that are part of the coalition filing the petition, and  
23 there's a handful more. So you all just sort of comment on  
24 the nature of domestic competition between the firms?

25 MR. PEPLOWSKI: The nature of competition would



1 be, I guess I would define it as long-standing. A lot of us  
2 have been here for a while. I'm not sure if I could put any  
3 more color around that.

4 MR. OLSON: The Rack Manufacturer's Institute is  
5 a long-standing trade organization that has worked together  
6 for many years. But until the late 1990s, and 1997  
7 specifically, we came out with a new product specification.

8 And the RMI members--which not affiliated with  
9 this petition group, it's just coincidentally we're all  
10 members of RMI--we basically, through a very respectful  
11 process, have adhered to the specifications so that, from a  
12 design standpoint, we're basically providing racks that meet  
13 the building codes, which invoke the RMI specifications. So  
14 that, by nature, gets us on a level playing field, product  
15 for product.

16 It largely has eliminated, for all practical  
17 purposes, in my opinion, Company A providing an inferior,  
18 underrated product to Company B that has a very heavy  
19 product that meets the load capacity requirements. So that  
20 disappeared in the late 1990s, by and large, in the domestic  
21 U.S. market.

22 As far as the competition, I think it's tight  
23 competition. I think we all competed together, though, not  
24 dramatically. Many times it comes down to much less than 5%  
25 from our perspective, what differentiates the winning bid.

1       So it's a tight market is my point domestically. I think  
2       we've been experiencing that for quite a few years.

3               MS. SHISTER: Thank you. And have there been  
4       any new entrants or recent firms exiting the market? In the  
5       past, I guess, five years?

6               MR. ANDERSON: I guess I can't really think of  
7       anybody that's exited recently. However, we have had a  
8       number of new Chinese companies that have actually joined as  
9       members of RMI and -- I don't know the exact number, but  
10      it's six or seven new companies that are members of RMI that  
11      were not competing domestically five years ago.

12              MR. SCHAGRIN: Ms. Shister, we'll address it  
13      further post-conference. Doesn't seem like, in terms of the  
14      domestic composition of the U.S. industry, that there have  
15      been changes in terms of new entrants or exits during the  
16      POI.

17              One characteristic of this period of  
18      investigation, in this industry, is that there have been  
19      significant investments and expansion by members in terms of  
20      either opening new facilities such as the Hannibal facility  
21      in Houston or significant expansions of capacity with  
22      additional equipment by a number of members.

23              And I think that since the new statute instructs  
24      the Commission to also take a return on assets into account,  
25      this is a perfect case for the Commission giving great

1 weight to that because here you had members of the U.S.  
2 industry who recognized a change, which Mr. Menegaz, you  
3 know, referred to in his opening statement, that the growth  
4 in e-Commerce has led to the construction of more  
5 fulfillment centers for products bought over the internet  
6 instead of in retail shops.

7 So responding to the market signals that there  
8 was gonna be expansion of demand, this industry has, over  
9 this POI, invested heavily. It's increased the amount of  
10 assets, and yet at the same time, because of the increase in  
11 imports, now profits are declining and because it's against  
12 a higher asset base, the return on assets is really  
13 plummeting over this POI for this industry.

14 And what'll happen to this industry if it  
15 doesn't get relief, will be similar to other U.S. industries  
16 once ROA starts falling, that sends a signal to both members  
17 of the industry and to their bankers to whom they have to go  
18 for credit in the United States, not the government of  
19 China, like their Chinese competitors, that there shouldn't  
20 be more investments in this industry. Because if you can't  
21 get a return on assets, why would you go to the bank and ask  
22 to borrow money to invest in more assets that you can't get  
23 a return on?

24 And so I think in this particular industry,  
25 given the investments made by the industry over this POI in

1 response to higher demand levels, the decrease in return on  
2 investment and return on assets, is a significant  
3 demonstration of the injury caused by the imports.

4 MS. SHISTER: Thank you. What are some of the  
5 -- a few firms have indicated that they actually export as  
6 well. So what is some of the major export markets? And are  
7 there any further market opportunities in terms of  
8 exporting?

9 MR. ANDERSON: When we analyzed our data for  
10 submission, we have a pretty minimal amount of exports. It  
11 was all Canada, I believe, really. Nothing recently  
12 anywhere outside the North America.

13 MR. PEPLOWSKI: Because of the location of one  
14 of our sites in Marysville, Michigan, which is near Port  
15 Huron right on the border of Canada, we have done a little  
16 bit of exporting to Canada, but that's been it.

17 MR. OLSON: This is Dave Olson with Ridg-U-Rak.  
18 Likewise, we're between Buffalo and Cleveland on Lake Erie,  
19 so we're close to the Ontario market. Historically, we've  
20 done a fairly good amount of business in Canada. But that  
21 has dwindled to almost zero now with the exchange rate  
22 differential, and it's like 75 cents to the dollar. So we  
23 have very little success in Canada today. I think that's a  
24 big part of it.

25 On rare occasion south of the border, that's

1 mostly through national retail accounts and things like  
2 that. But in industrial, non-existent.

3 MR. NEAL: This is Paul Neal from UNARCO. We  
4 do send some stuff internationally, but it's a very small  
5 portion of our business. Our product by its nature is not  
6 roll freight friendly, so it's -- the same reason that our  
7 stuff is so interchangeable with the rest of the world is  
8 the same.

9 So in South America, there are rack  
10 manufacturers down there that I'm sure on the basis of price  
11 that we can't compete with them on a normal basis, sending  
12 it to Africa or South America because the cost of the  
13 product is -- it's cost-prohibitive to compete there.

14 MS. SHISTER: Thank you. Are there any sort  
15 of Buy America provisions or anything that would encourage a  
16 purchaser to buy a domestic rack over an imported rack?

17 MR. BARTLETT: Blanton Bartlett, Hannibal  
18 Industries Los Angeles. No, not to my knowledge. We have  
19 never run across any Buy America provision for power rack  
20 products.

21 MS. SHISTER: Thank you. To the best of your  
22 knowledge, are there any third country anti-dumping or  
23 countervailing duty orders?

24 MR. CLOUTIER: Chris Cloutier from Schagrin  
25 Associates. The Government of Australia is conducting an

1 investigation presently.

2 MS. SHISTER: Thank you, and do you anticipate  
3 any further scope clarifications or amendments with  
4 Commerce?

5 MS. DRAKE: Excuse me. This is Elizabeth  
6 Drake, Schagrin Associates. We may be exploring a further  
7 specification of the physical characteristics of the  
8 components of boltless steel shelving to ensure that Customs  
9 can enforce the exclusion, especially if they're not coming  
10 in pre-packaged for sale, and that's something that we're  
11 continuing to work on and Commerce is aware of, but we don't  
12 yet have the information on what that will look like.

13 MS. SHISTER: All right, thank you. That is  
14 all I have for the time being.

15 MR. CORKRAN: Thank you very much Ms. Shister,  
16 and now we will turn to Ms. McNamara, our attorney.

17 MS. McNAMARA: Courtney McNamara, from the  
18 Office of General Counsel. I also want to echo what my  
19 colleagues have said here. We certainly do appreciate all  
20 of you taking the time to come here and help us out with  
21 this, particularly with it being a new product.

22 So thank you all for coming here today. I'm  
23 going to have a number of questions that will probably be  
24 directed mostly to counsel, but feel free to jump in at  
25 anything that you feel that you can add to.

1                   So the first thing I want to talk about is the  
2 domestic like product. Given that this is covering beams  
3 and racks and parts, how do we analyze that? It's not the  
4 typical thing where we see, we might see a spectrum of  
5 products. How does the parts and all these different little  
6 parts and larger parts, how does that kind of come into play  
7 in our domestic like product analysis?

8                   I know that you talked about it briefly in one  
9 of your supplements. But if you could elaborate a little  
10 bit here and in the post-conference, I think that would be  
11 very helpful.

12                   MS. DRAKE: Sure. This is Elizabeth Drake.  
13 There are a number of cases where the scope has included a  
14 product, whether it's assembled or unassembled and I'm not  
15 aware that that's ever been a significant domestic like  
16 product issue. I'm just thinking of bearings, for example,  
17 are covered whether they come in as a complete bearing or as  
18 a cone assembly or as the cup or the other pieces.

19                   I've never seen that become a major domestic  
20 like product issue in and of itself. We did address it  
21 there, of course. The physical characteristics are the  
22 same. It's just the parts are either assembled or  
23 unassembled. The manufacturing facilities are the same  
24 because the parts are made in the manufacturing facility  
25 that's making the parts that will eventually be assembled

1 into the rack. The channels of the distribution are the  
2 same.

3 I mean I kind of had some difficulty answering  
4 those questions from Commerce, because I felt like I was  
5 just saying a tautology, right, that all of the factors are  
6 the same because these parts are by definition just  
7 components of an assembled rack. So we'd be happy to  
8 explore that further post-conference, but I don't think that  
9 we view any challenges in that regard.

10 Even if you look at the parts separately,  
11 they're made from the same steel, they're made in the same  
12 manufacturing facilities. They're not usually distributed  
13 separately but, you know, together to be put into a system  
14 when they're installed together. So we think they would  
15 meet all of the factors the Commission looks at and be part  
16 of one domestic like product co-extensive with the scope.

17 MS. McNAMARA: And could you also speak a  
18 little bit to the structural steel versus the rolled form  
19 steel products? I noticed in the Exhibit 111 there was some  
20 discussion about differences in manufacturer, functionality  
21 and pricing. Could, does every -- do all the domestic  
22 producers produce both?

23 MR. SCHAGRIN: Pretty much all domestic  
24 producers produce both, and they can further explain the  
25 differences. It comes mostly to functionality and I think



1       our estimates on the size of the marketplace is it's about  
2       three-quarters roll-formed and about one quarter structural.  
3       But other than the steel input, you know, being a  
4       roll-formed member versus a structural member, everything  
5       else in the manufacturing process is the same.

6                   All the punching that happens, the painting  
7       that happens, the connecting and welding that happens,  
8       everything else after the original choice of a roll-formed  
9       member versus a structural member is the same. The other  
10      thing, just supplementing Ms. Drake's answer on like  
11      product, something a little bit unusual about this case.

12                   But I mean if you think about it, you have  
13      vertical components and horizontal components of a racking  
14      system, and it goes to this issue of interchangeability. A  
15      distributor and for that matter the customers having  
16      installation done can interchange obtaining vertical members  
17      of the system and horizontal members of the system from  
18      different suppliers, and that's a little bit unusual.

19                   I don't know what it was like in bearings, but  
20      that's something that, you know, it's all clearly within the  
21      same domestic like product but it does make things a little  
22      bit out of the ordinary in terms of the marketplace. Would  
23      anybody like to add from the industry about any of the  
24      different end uses, structural versus roll-formed?

25                   MR. NEAL: This is Paul Neal with UNARCO.

1 Roll-formed and structural rack basically can be used in  
2 about any application I can think of. I think everyone here  
3 at least does some structural rack. We're a legitimate  
4 manufacturer of both ourself.

5 There are a few manufacturers domestically  
6 that produce only structural rack, and we compete directly  
7 against them on jobs because you can make a roll-formed, a  
8 viable roll-formed structure for that project or a  
9 structural. Sometimes it's customer preference or  
10 structural rack has more steel per foot generally speaking  
11 say than a roll-formed beam.

12 So a roll-formed beam is more cost  
13 competitive, which is why a lot of us make roll-formed rack  
14 because it's a more cost -- it's a more effective way to  
15 hold your loads, because the shapes that are used don't  
16 waste steel, and that's primarily -- especially on a beam.

17 We also make hybrid systems where we make a  
18 structural frame and a roll-formed beam and combine them  
19 ourselves even on our own application. So we don't do an  
20 all structural version or an all roll-formed version. We  
21 can do both. So they essentially serve the same purpose.

22 MS. McNAMARA: And are they made -- for those  
23 of you that make both, are they made on the same equipment?  
24 Is it just a different input?

25 MR. NEAL: No. So roll form, as Roger said,

1 was or someone, you start off with a flat piece of steel and  
2 it goes through a roll former and you form a shape, and then  
3 it's welded, painted and shipped. Structural steel, you buy  
4 a mill-direct structural shape or from a service center. So  
5 you buy a formed shape directly from -- it's made prior to,  
6 it comes out of a mill and it's made that way.

7 And instead of roll forming it with a flat  
8 piece and forming a shape, it comes to you in that shape and  
9 you saw cut it and then punch holes in it and weld it, paint  
10 it, whatever you do.

11 So your structural post would be cut with a  
12 saw of some sort, whether it be a bundled saw or laser or  
13 something like that, that cuts the members to length, and  
14 that would be done on a roll-forming piece of equipment for  
15 roll form. But other than that, you know, same kind of --  
16 same welding. You could use the same fixtures, the same  
17 paint line. But making the actual posts would be made with  
18 different equipment.

19 MS. McNAMARA: Thank you. So okay, and I  
20 believe we are going to be hearing a domestic like product  
21 argument from Respondents. So if you could just please make  
22 sure to address whatever they raise in your post-conference,  
23 that would be very helpful. The other thing about the  
24 structural versus the rolled form, are imports coming in on  
25 both?

1                   MR. PEPLOWSKI: This is Pat Peplowski with  
2 Heartland Steel. We do see imports coming in on one product  
3 type. Right now that's structural which is cantilever, and  
4 we anticipate that we'll see others come in on some of the  
5 other product types eventually.

6                   MS. McNAMARA: So if for the domestics, if  
7 you're producing say -- I think the estimate was  
8 three-quarters rolled, one quarter structural, what type of  
9 divide do you think the imports are coming in at? Can you  
10 estimate it?

11                   MR. PEPLOWSKI: In terms of structural versus  
12 rolled form?

13                   MS. McNAMARA: Structural versus rolled form.

14                   MR. PEPLOWSKI: It would be my guess, but I  
15 would say 95 percent is roll formed and five percent is  
16 structural. But that's my guess.

17                   MR. OLSON: This is Dave Olson with  
18 Ridg-U-Rak. One of the factors I think that differentiates  
19 that two, first of all Roger said it right. The raw  
20 material that's coming in is all hot-rolled steel. One is  
21 formed into a structural shape like a channel at a mill and  
22 brought in. The other roll-formed product is a thinner  
23 gauge, much more optimized.

24                   You have an infinite set of possibilities as  
25 to the shapes. Now we generally provide certain specific

1 shapes, but there's different depths, there's different  
2 widths, there's different gauges.

3 So because we're roll forming from a sheet  
4 steel, we can buy multiple gauges of steel, and we can shape  
5 those into multiple profiles. So there's much more  
6 structural optimization that can occur on the roll form  
7 product, and generally speaking it is lighter on a per foot  
8 basis than the structural.

9 The structural is available only in certain  
10 limited sizes, and as a result the structural systems are  
11 generally heavier and when you're thinking about  
12 containerizing products, I would think that many times the  
13 structural systems might weigh out before they cube out in a  
14 container.

15 So the roll formed is much more efficient to  
16 transport oceanic freight, for example.

17 MS. McNAMARA: Okay. So that's what you're --  
18 when you're saying "weigh out" versus "cube out," it's just  
19 it's heavier?

20 MR. OLSON: Yeah. If containers are, you  
21 know, a certain size and you can fill that box but you're  
22 still limited to X amount of weight in that container.

23 MS. McNAMARA: Okay, thank you. Turning to  
24 the domestic industry, so if I understand it, you propose to  
25 defining the domestic industry as all U.S. producers, right?

1 Are you unaware of any related party issues that we might  
2 need to look at, and if so can you please address them in  
3 your post-conference brief?

4 MR. SCHAGRIN: We'll address them in their  
5 post. There may be, and we'll address them in our  
6 post-conference brief.

7 MS. McNAMARA: Thank you, and in particular if  
8 any of the domestic producers are importing, if you can  
9 address why if you know, that would be helpful.

10 MR. SCHAGRIN: To make more money. Like every  
11 other industry in the United States, the only reason  
12 domestic producers start to import from China is because  
13 they can usually buy dumped and subsidized product from  
14 China for a lot less they can make it for themselves, and  
15 the people in this coalition have decided they'd rather  
16 fight than switch.

17 MS. McNAMARA: In the petition, you describe  
18 the racks as generally interchangeable, and you all have  
19 talked about how they're interchangeable. Are there any  
20 factors that go in that might limit interchangeability?  
21 Painting or coating or anything, any particular structure?

22 MR. SCHAGRIN: This is Roger Schagrin. None  
23 of the things such as painting or coating would limit  
24 interchangeability. The only thing, and I think it was  
25 maybe Dave who referred to it earlier, is the only limited

1 interchangeability is a customer who wanted something  
2 non-standard.

3                   So that wouldn't limit interchangeability in  
4 terms of the customer who wants something specialized for  
5 themselves, could buy that from either a U.S. manufacturer  
6 or a Chinese manufacturer, to say I want, you know, my only  
7 design racking system for my need, and other than that in  
8 all of what we call the standard off the shelf sizes.  
9 Obviously that specialized product is going to go from a  
10 manufacturer to a user who wanted something made just for  
11 them.

12                   The standardized off the shelf, it's  
13 interchangeable to the point where within the same system  
14 you can combine parts from different U.S. producers or U.S.  
15 producers and Chinese producers, because it all meets the  
16 RMI standard. The specialized system also is going to meet  
17 the RMI standard.

18                   It's just, you know, any customer who wants  
19 something special instead of something that's off the shelf,  
20 that's going to limit interchangeability of pieces because  
21 they want something made just for them. But they could get  
22 it either domestic or Chinese.

23                   MS. McNAMARA: Were you going to say  
24 something? I didn't mean to cut anybody off. So with  
25 respect to the RMI standard, am I correct that that's

1 voluntary, that that's a voluntary standard? So how does --  
2 can you explain to me how that plays out in the market? Is  
3 that something that's customer-driven or how does that work  
4 as a voluntary standard?

5 MR. PEPLOWSKI: This is Pat Peplowski with  
6 Heartland Steel. I can take that. So the RMI has put forth  
7 a standard that has since been adopted by building codes  
8 across the country. That standard describes a methodology  
9 for designing the performance of your racks, essentially  
10 telling -- based on how you build your racks, how much  
11 capacity, carrying capacity it has.

12 So there is a lot of value out there in the  
13 marketplace for end users and consequently when they get  
14 permits to erect their rack systems, that it's RMI  
15 certified, or that they have their R mark as a member or as  
16 a participating company.

17 MR. SCHAGRIN: So Ms. McNamara, Roger  
18 Schagrin. So while in general you could say the RMI  
19 standard is optional, because it's been adopted by building  
20 codes, once something is in a building code and you need it  
21 to get your permit from the city-county, it's not optional,  
22 and it would be the same as, you know, you could say UL  
23 standards are optional, but you can't put anything to do  
24 with electricity into a building in most cities unless you  
25 meet UL standards.



1                   So with most industry standards, because they  
2                   get adopted in building codes, they become not optional but  
3                   essentially mandatory because you need to to get your  
4                   building permit, meet the standard if it's been adopted in  
5                   the building code.

6                   MS. McNAMARA: And is that something that's --  
7                   that most of these shelvings are subject to building codes?  
8                   Is that because like the size and the industrial use?

9                   (No audible response.)

10                  MS. McNAMARA: I think -- oops, sorry. I want  
11                  to, before I move on from domestic industry, I just want to  
12                  ask real quick, are there any issues about assemblers? I  
13                  think there was some talk about assemblers being, coming,  
14                  taking imported product and assembling it here? Is there  
15                  any issue about including assemblers in the domestic  
16                  industry?

17                  MS. DRAKE: This is Elizabeth Drake. I don't  
18                  believe that they would perform enough production-related  
19                  activities to be considered part of the domestic industry.

20                  As we've heard from our witnesses today, they  
21                  roll form, they punch, they weld, they paint, they take, you  
22                  know, undertake significant capital investments in the  
23                  equipment that's required to do that, in order to create  
24                  from a slip coil or from a structural member the components  
25                  of steel rack. Where as an assembler, an on site assembler

1 would simply be putting the uprights upright and locking in  
2 the beams.

3 So whether that's done with imported or  
4 domestic product, we wouldn't consider them to be part of  
5 the domestic industry.

6 MS. McNAMARA: Thank you. I also -- I want to  
7 go back now to talk a little bit about the standard versus  
8 custom, and can you walk me through how these customized  
9 products get requested? Is that something that goes through  
10 the distributor? Do you deal directly with end users? How  
11 does that customization aspect of the product work?

12 MR. OLSON: This is Dave Olson. As I  
13 mentioned earlier, the customization generally is driven  
14 more by the code requirements and the location of the  
15 project, for example. In some of the larger projects, they  
16 could be in earthquake zones and the RMI spec, which is  
17 invoked by the international building code, provides the  
18 guidance on designing rack systems for those types of  
19 systems.

20 One thing I didn't differentiate earlier is  
21 when you design to those unique, what I call custom  
22 geographic locations, those are still standard products.  
23 It's still the same roll-formed products that we make every  
24 day. We may have, use a heavier gauge standard column for a  
25 specific application.

1                   In addition to that, the horizontal beam  
2 members generally are standard products. It's really the  
3 vertical frames that attach and are anchored to the floor  
4 that are driven by specific geographic earthquake  
5 requirements in the design specs. So I wanted to provide,  
6 since you gave the opportunity to provide some clarity to  
7 that earlier response.

8                   So I think that that's generally what the  
9 customization is related to specific customer needs. Some  
10 customers have products that are at different depth or at  
11 different configuration, and they have a unique storage  
12 requirement, so those can be custom. But that's a very  
13 small percentage of our industry.

14                   The bulk of our industry is using very  
15 standard length beams. The eight foot beam that was used in  
16 the petition is an example, is a very large percentage of  
17 the products that we all ship every day. So we all call it  
18 a 5,000 pound shelf load. It's a 2,500 pound pallet  
19 application, eight foot long beam. That's a very industry  
20 in the warehousing world standard size, and hence we all  
21 ship a lot of that product and a lot of that is imported as  
22 well.

23                   Whether it's going into a custom job or  
24 whether it's going into just an every day manufacturing  
25 plant's back room, those beams are used everywhere. The

1 differentiation is usually in the vertical frame on a given  
2 project.

3 MS. McNAMARA: So is that true for the other  
4 products, that the customized stuff is a small percentage of  
5 your business?

6 MR. PEPLOWSKI: Yeah. This is Pat Peplowski  
7 with Heartland Steel. I would agree that the customized is  
8 a much smaller percent. Maybe a way to think about it is  
9 for our industry there's really, and I mentioned this in my  
10 testimony, there's several different types of racking  
11 systems.

12 There is selective storage rack, which is the  
13 vast majority. That's one type. The other type is  
14 drive-in/drive-through racks, which is very custom. The  
15 third type would be cantilever rack systems, which is pretty  
16 standard. Another type would be pushback rack systems,  
17 which is custom. Another type would be pallet flow systems,  
18 which is custom. Another type would be -- what we called  
19 engineered structures, which would include things like pick  
20 modules or high archived storage systems or other things  
21 like that which are very custom.

22 But the product types of selective rack and  
23 cantilever rack, that's the pretty standard product types,  
24 and that makes up the vast majority of the marketplace.

25 MS. McNAMARA: So when -- can you explain to

1 me also, do the distributors come to you and say this is  
2 what we need, this is the type of product? Is that how the  
3 custom demand gets conveyed to you all?

4 MR. ANDERSON: Jay Anderson with Steel King.  
5 That is definitely one way that it comes in. Sometimes the  
6 distributor will come in with a, they call a shopping list  
7 of these are the quantities and parts that I need to do this  
8 project, and we just give them a bid on that. Sometimes  
9 they come in with a drawing of a building and say design a  
10 rack system for me.

11 But the selective rack is the majority of the  
12 market of kind of the standard size. I agree with my  
13 fellows here that the beam, the beams seem to be very common  
14 no matter what the height the rack is. You know, they may  
15 have -- Customer A may have a 40 foot ceiling and Customer B  
16 has a 30 foot ceiling. Therefore, we might just vary the  
17 height of the upper frame. But the beams could be used in  
18 either a 30 or a 40 foot high up system.

19 MS. McNAMARA: And there would be imports  
20 competing for these customized jobs as well?

21 MR. ANDERSON: It depends. Yeah, I mean I  
22 believe -- I believe, to the best of my knowledge, they had  
23 to have different heights to operate frames so they can  
24 compete in different building size heights. Beyond that, I  
25 am not aware fully of their customization capabilities.

1                   MR. PEPLOWSKI: This is Pat Peplowski with  
2 Heartland Steel. We see the vast majority of the imported  
3 racks competing in the standardized products segment, but we  
4 are starting to see and we have seen a couple of examples  
5 where they are now competing and starting to compete in  
6 customized solutions.

7                   MR. OLSON: This is Dave Olson, Ridg-U-Rak. I  
8 can just dovetail into that. I have distributors that have  
9 specific unique custom projects that frequently now come to  
10 me and tell me they don't -- they can't get the frame.

11                   They've got the beams covered, and I don't  
12 know where they're coming from, but they want to buy only  
13 the vertical frames from me, and that's a perfect example of  
14 these containers of beams coming in, because they're  
15 standard products. They're easy to ship in containers. You  
16 can fill a container full of 5,000 pound shelf level beams,  
17 and then use those in a custom application of vertical  
18 frames.

19                   So we're seeing that quite frequently today.  
20 A lot of requests for -- we just want to buy frames from you  
21 from a distributor, for example, and they've already got the  
22 beams sourced somewhere.

23                   MS. McNAMARA: So they'll be buying certain  
24 components from you all that -- and why wouldn't they be  
25 buying them from the imports? If import stuff is cheaper,

1       why aren't they going to imports for those products?

2                   MR. OLSON:  On the vertical frames?

3                   MS. McNAMARA:  Right.

4                   MR. OLSON:  Because those -- those specific  
5       applications are non-standard.  They might be a 35 foot  
6       frame, and that's not normally a stock-sized frame in that  
7       standard industry.  But the eight foot 5,000 shelf beam,  
8       there might be instead of four levels of those beam levels,  
9       there might be eight.  But they're still the same beams.

10                  MR. ANDERSON:  This is Jay Anderson from Steel  
11       King.  I did want to add to my comments that at the most  
12       recent trade show that MHI puts on, that there was a Chinese  
13       company there that had a system set up of what we call a  
14       pick module, which is using these standard parts but in a  
15       little bit more complicated setup where they have stairs on  
16       multiple levels.

17                  Also, all the companies, Chinese companies  
18       that have joined RMI have made presentations to the  
19       membership to demonstrate that they're a serious rack  
20       manufacturer, and generally their presentations show every  
21       type of racking system that we do, whether it's standard  
22       rack or an automated storage and retrieval system or a  
23       pushback or a pallet flow.  Their websites often taut that  
24       they're a full capability manufacturer.

25                  MS. McNAMARA:  Can you also talk -- I believe

1 some of you mentioned selling through contracts. Can you  
2 talk a little bit about that and how contracts play in the  
3 market? Is that the contracts with distributors? How does  
4 that work? If you want to address it in post-conference,  
5 please feel free.

6 MR. ANDERSON: This is Jay Anderson with Steel  
7 King. The vast majority of our projects are  
8 project-by-project basis. It's not an annual contract.  
9 Even projects that extend over -- you know, they may order  
10 today and not ship for three months. It's still an  
11 individual order in the vast majority of our projects.

12 MR. OLSON: This is Dave Olson with  
13 Ridg-U-Rak. I emulate that. The bulk of our distributor  
14 business is project-by-project stock orders, things like  
15 that. The only contracts that we have in place would be  
16 with national retail chains like Walmart, Lowe's, Home  
17 Depot. They award that business on an annualized basis.  
18 That would be the one exception to where there's contracts.

19 But by and large, most of the logistics and  
20 distribution industrial industry that's out there is not  
21 done via contracts. That is mostly done on a  
22 project-by-project basis. So the contract part to our  
23 business world is a pretty small percentage of the overall  
24 volume.

25 MS. McNAMARA: And you said that the contracts



1 are with the retailers. So you would go directly to the end  
2 users with that.

3 MR. OLSON: Yes, yes. You would have a direct  
4 contract with that retail chain, yes.

5 MS. McNAMARA: It would be helpful if you  
6 could flesh that out a little bit in post-conference, just  
7 to let us know kind of where the channels for these are  
8 going through.

9 MR. SCHAGRIN: We will Ms. McNamara, and  
10 there's also questions in the questionnaire on that. So we  
11 can use that information. We'll put that together for you  
12 in our post-conference brief.

13 MS. McNAMARA: Great, thank you. If you can  
14 also address it to the extent that the Chinese product is  
15 going direct to end users or through those channels, if you  
16 could just look at that too. That would be helpful.

17 MR. SCHAGRIN: Yes we will, and needless to  
18 say because the Commission has certainly dealt with big box  
19 retailers on many occasions here at the Commission, while  
20 they because of their needs may do contracts on an annual  
21 basis, these are pretty sophisticated companies that already  
22 have very large purchasing departments located in China.

23 So they are very well aware, even if they buy  
24 a domestic product, of the availability of substitute  
25 imported product as they are negotiating their contracts

1 and/or contract renewals.

2 MS. McNAMARA: And to the extent, I know you  
3 have all spoken to about having Chinese product quoted back  
4 to you in negotiations, to the extent that you have anything  
5 to substantiate that, if you could provide it with the  
6 post-conference that would be helpful too. If you'd bear  
7 with me, I'm just looking at -- so and I really do  
8 appreciate that, Mr. Schagrin, you've spoken about the  
9 balance that the Commission has to -- in looking at what  
10 data set to look at.

11 And so to the extent that you want us to use  
12 one versus the other, please really flesh that out for us,  
13 especially like my colleague mentioned, the 50 percent. If  
14 you could explain how you got to that and particularly if  
15 it's -- if it's going somewhat -- there's a weight  
16 component to it in my understanding.

17 So if you could be sensitive to the fact that  
18 if most Chinese product that's coming in is the rolled,  
19 which is necessarily going to be lighter, and that's going  
20 to be 95 percent break versus what's going on in the  
21 domestic, which is kind of more like 25, it sounds like  
22 25-75 percent break.

23 If that weight is going in, if you could be  
24 sensitive to that and just explain how that factors into  
25 your 50 percent, and that would be very helpful. And just

1 in terms of the basket of categories, what else? Can you  
2 speak to what else might be in there?

3 MS. DRAKE: Sure. This is Elizabeth Drake. I  
4 guess we can take them one by one. The first one is the  
5 7326, 9086.88 category, and that one is sort of an articles  
6 of iron or steel, other, other, other, other, other. So  
7 there a lot of things listed above that, you know, ladders,  
8 burial caskets, and etcetera.

9 So it's probably easier for us to address  
10 what's not in there than what might be in there. But that  
11 certainly is, you know, classic basket category. The other  
12 ones, the 9403 are a little bit more targeted. There's the  
13 9403.20 category, which is counters, lockers, racks, display  
14 cases, shelves, partitions and similar fixtures, and ours is  
15 within that but excluding the boltless shelvings.

16 So again, on a weight basis we think that it's  
17 reasonable to presume that a lot of that is these beams and  
18 uprights, to the extent they're classified under that  
19 category because they're very large components compared to  
20 say, you know, a shelf or a display, a smaller display case.

21 And then the other 9403 category is parts of  
22 furniture, of metal furniture, and that's other than the  
23 wire decking, which is obviously excluded. So that would  
24 include some other parts other than ours. But again, on a  
25 weight basis we think that we would be a significant part of

1 that category. But we'd be happy to spell out in more  
2 detail why we think the 50 percent of the one category that  
3 actually had reported quantity is a reasonable number for us  
4 to use.

5 MS. MCNAMARA: Great, thank you. Are domestic  
6 producers able to supply the entire U.S. market?

7 MR. SCHAGRIN: Yes, the entire U.S. market.  
8 There is sufficient U.S. capacity to supply the entire U.S.  
9 market, and you have heard that, you know, this is a heavy  
10 product so it is freight-sensitive. So it's not surprising  
11 that the U.S. industry has plants located geographically  
12 throughout the United States.

13 MS. MCNAMARA: Can you talk a little bit about  
14 the role of non-subject imports, and I believe that  
15 Respondents mention specifically imports from Mexico?

16 MR. BARTLETT: Blanton Bartlett, Hannibal  
17 Industries Los Angeles. Being in LA, we don't run across a  
18 lot of Mexican imports into our product group, into our  
19 region. Mostly it's Chinese that we run into, both the  
20 Houston location and our Los Angeles location. So I'm not  
21 aware of a vast amount of Mexican imports into our  
22 marketplace.

23 MS. MCNAMARA: What about other countries,  
24 other non-subject countries?

25 MR. BARTLETT: Not to my knowledge. Again,

1 Blanton Bartlett, Hannibal Industries. My only knowledge is  
2 the imports that we run into are the Chinese.

3 MR. ANDERSON: This is Jay Anderson with Steel  
4 King. I'm not aware of any Mexican imports being successful  
5 on any projects we've worked on. On the other hand, we've  
6 actually had some European rack company come to us to  
7 fulfill their projects domestically, as a more economical  
8 solution for them than shipping it all the way from Germany.

9 MR. SCHAGRIN: So I mean just -- we've  
10 discussed this for many months with the members of the  
11 industry, as we've been looking at the data. Maybe UMH can  
12 speak to handling Mexican product when they say they think  
13 there's more imports from Mexico than there are from China.

14 That's just the -- I mean we've got probably  
15 three-quarters of the U.S. industry in this coalition, and  
16 that's not any of the real world experience of any of the  
17 members of the U.S. industry, to know that they're having a  
18 lot of competition, versus they're all extremely aware of  
19 intense competition from China.

20 MS. MCNAMARA: And I didn't mean to focus the  
21 questions on Mexico by raising that. Are there -- what  
22 other non-subject countries are players in the market?

23 MR. OLSON: I think in the U.S. domestic  
24 market, the other players would potentially be Mexico. I  
25 concur with all the statements. I see no influence. I'm

1 not aware of a project that we've lost to any Mexican  
2 manufacturers. The Canadian, there are some Canadian rack  
3 manufacturers that have periodically sent rack into the U.S.

4 They have a bit of an advantage right now  
5 perhaps with exchange rate. But even that's a very small,  
6 and I'm pretty close to the Canadian border, Ontario being  
7 the largest commerce section of Canada. I think I'd have a  
8 lot of knowledge of losing projects to Canadian companies,  
9 and that's basically non-existent today, even with the  
10 exchange rate advantage that they have.

11 MR. SCHAGRIN: I think something the  
12 Commission will find as, you know, we go throughout this  
13 investigation and was already raised by some of Ms.  
14 Shister's questions earlier is given the size of these rack  
15 components, this is a freight-sensitive product. I mean  
16 these are big pieces of steel to put on trucks, and to go a  
17 distance.

18 And so you know, I think looking at this  
19 historically, that this is a U.S. industry that was fairly  
20 insulated from import competition because of the  
21 freight-sensitive nature of the product, and then all of a  
22 sudden you get the Chinese, who just take economics and  
23 throw it, you know, out. It doesn't matter that it might  
24 cost a lot to ship these products from China to the U.S.,  
25 because they're able to get subsidized, you know, steel from

1 state-owned steel mills.

2 And so I think actually the conditions of  
3 competition for a largely freight-sensitive product have  
4 just changed over the last several years, which is given  
5 companies like UMH, which we understand have previously, you  
6 know, has a long history in material handling, and have  
7 previously been a company focused on handling domestic  
8 product. They've been able to tremendously expand by having  
9 access to Chinese product.

10 MS. MCNAMARA: I am -- I do not -- I'm  
11 obviously not going to go into any BPI, but I'm looking at  
12 the chart on page 19 about the market share, and that  
13 specifically does talk about the volume of non-subject  
14 imports.

15 So if you could address that and, to the  
16 extent that you know who these players are, you know, please  
17 let us know and address why they are not causing this --  
18 causing injury, and in particular if you're going -- if  
19 you're relying on kind of AUV data to talk about the  
20 pricing, just explain to us why that's reliable in this  
21 context, particularly if they have kind of -- if they're  
22 doing rolled.

23 If you know that they're doing rolled versus  
24 structural or any kind of product mix issues that might call  
25 that into question. So if you can do that, that would be

1 helpful. If you'll bear with me, let me find my questions  
2 and let me just take a quick look to see if I have anything  
3 else.

4 (Pause.)

5 MS. MCNAMARA: You've talked a little bit  
6 about the raw material prices and raw material prices going  
7 up recently. Can you explain what's going on with that, and  
8 you can certainly do that in your post-conference. But if  
9 you could kind of explain what's going on with the raw  
10 material prices and why those are increasing, particularly  
11 if you tend to rely on domestic mostly? If you could  
12 provide any information on that, that would be helpful.

13 MR. SCHAGRIN: We'll do it in the  
14 post-conference, and there's also the availability of  
15 publications such as American Metal Market that give a lot  
16 of pricing information. We'll supply that in our  
17 post-conference.

18 MS. MCNAMARA: Okay, thank you. And other --  
19 I would also just say it sounds like we've got some  
20 arguments coming up from Respondents. So if you could just  
21 please make sure to address whatever they raise, I would  
22 really appreciate it.

23 MR. SCHAGRIN: We will. That's what we're  
24 here for. We're glad Respondents show up. Otherwise, what  
25 would we do for our post-conference brief so --



1                   MS. MCNAMARA: Thank you all very much. I  
2 have nothing further right now.

3                   MR. CORKRAN: Thank you, Ms. McNamara. Now  
4 we'll turn to Mr. Ruder, our economist.

5                   MR. RUDER: Good morning. Thank you for  
6 taking questions. My name is Jon Ruder in the Office of  
7 Economics. My first question is if you could tell me if  
8 there are any specific steel price indexes or other  
9 benchmarks that are used by the industry for negotiating or  
10 setting steel prices, I'm sorry, prices for steel racks.

11                  MR. OLSON: This is Dave Olson with  
12 Ridg-U-Rak. By and large, I don't want to talk for the  
13 group so you can disagree with me. But I would say by and  
14 large the American Metal Market index for hot-rolled steel  
15 sheet Midwest is the most common index, if there's one  
16 that's used. By and large those would be used in those  
17 annual contracts that I talked about before with the retail  
18 chains.

19                  The other, the other occurrences that I see  
20 where an AMM index is used on a specific project with a  
21 client for say a logistics distribution center would be if  
22 it's a long-term project. They're not going to build it  
23 until next year. With the volatility of the steel markets  
24 in the U.S., they generally will allow an indexing on your  
25 bid, and then you make an adjustment closer to the delivery

1 of that project when you're actually purchasing that steel  
2 to provide to the project. But the AMM index is the most  
3 common I'm aware of for rack.

4 MR. BARTLETT: Blanton Bartlett, Hannibal  
5 Industries Los Angeles. We have a single customer that we  
6 use the AMM to index on a quarterly basis, and that's the  
7 only customer that we have that's indexed at all on the  
8 power rack group that we're in.

9 MR. ANDERSON: Jay Anderson with Steel King.  
10 AMM is very common in the industry. I know our purchasing  
11 group looks a lot at what's called CRU. I'm not sure what  
12 they stand for. We do approximately 1,000 orders a month  
13 and we probably don't have a contract or an order tied to an  
14 index for more than three or four orders per year. So it is  
15 very much, in our case, predominantly a risk of material  
16 cost increases on the manufacturer.

17 MR. RUDER: Thank you. My next question, in  
18 the questionnaire responses, there was a little bit of  
19 variation regarding the cost share of the raw materials. I  
20 think today we heard that steel inputs accounted for about  
21 two-thirds of the cost or maybe 65 percent of the cost. I  
22 was wondering if you could weigh in on what accounts for the  
23 remainder of the cost of production.

24 MR. PEPLOWSKI: Sure. This is Pat Peplowski  
25 with Heartland Steel. I would say besides the cost of the

1 steel, you have other materials costs, although not  
2 significant such as paint, weld wire, factory supplies. And  
3 then beyond that, beyond steel, the next biggest cost would  
4 be for your labor.

5 MR. RUDER: Thank you.

6 MR. OLSON: This is Dave Olson. Beyond steel,  
7 I concur. You have the other materials, labor being a  
8 relatively lower percentage of our costs, I guess probably  
9 pretty common here at the table, and overhead.

10 The cost of running an operation, the cost of  
11 running roll mills and all the capital investments that  
12 we've talked about, heating our facilities, all the things  
13 that make up overhead, both variable and fixed, make up the  
14 lion's share, and then a small sliver for margin.

15 MR. RUDER: Okay, thank you. For the next  
16 question, I know that during the presentation and mentioned  
17 during some of the questions that came up, that it was  
18 important to account for the low capacity of the racks. You  
19 were mentioning you need to have 5,000 pounds of shock load  
20 or other quality measures such as having RMI certification  
21 or other building code certifications.

22 I'm a little concerned that on our pricing  
23 products that we use to compare U.S. steel racks to Chinese  
24 steel racks and how their prices compare, we don't  
25 specifically mention load capacity or RMI certification.

1 I'm wondering if that's going to create any problems for  
2 having comparable price data with Chinese products? Maybe  
3 they do or do not have a specific RMI certification or load  
4 capacity, that they might still enter the data into the  
5 questionnaire as if it were an apples to apples comparison.

6 So just I'm wondering if you can comment on  
7 our pricing description, our descriptions of the pricing  
8 products and if we can be sure that we have a fair  
9 comparison.

10 MR. SCHAGRIN: Mr. Ruder, this is Roger  
11 Schagrin. We don't think that will present any problems for  
12 you. Our understanding is that in the U.S. market, imports  
13 are sold the same way as domestic, that importers such as  
14 United Material Handling would say our products meet RMI  
15 standards, and that that would be true of other importers.  
16 In fact, UMH is a member of the RMI, and a number of Chinese  
17 manufacturers are members of the RMI as well.

18 But the key thing is that they meet people who  
19 are bidding on projects, usually for the local building code  
20 requirements. The products that they're using to install  
21 the storage rack systems have to meet the RMI standards. So  
22 we'll further elucidate it in the post-conference brief, and  
23 ask the members of the industry. But we think virtually all  
24 the competition in the U.S. market, between domestic and  
25 imported Chinese, are products that are meeting RMI

1 standards.

2 MS. DRAKE: This is Elizabeth Drake. I would  
3 just add that it's my understanding that load capacity is  
4 largely a function of the dimensions that are already in the  
5 pricing product, so a beam of a certain length and face  
6 dimensions. There may be some made to different gauges, but  
7 the load capacity for two beams, they're both, you know,  
8 eight feet long and three-inch based, are going to be pretty  
9 much the same.

10 And then in the uprates, we specify the gauge  
11 as well as the dimensions, and that really dictates to some  
12 extent what the load capacity is. But we'd be happy to  
13 provide more information on that post-conference.

14 MR. RUDER: Okay, thank you. For my next  
15 question, I notice that some purchasers responded to the  
16 lost sales and lost revenue survey, and indicated that lead  
17 times from the time of order to delivery date had been  
18 extended for domestically produced steel racks. I'm  
19 wondering if you would agree with this characterization that  
20 this happened, and if so what would account for it or how it  
21 affects end users.

22 MR. OLSON: So Dave Olson with Ridg-U-Rak.  
23 While manufacturers do have lead times that can be driven by  
24 large-scale projects and those types of things that we're  
25 doing, we also have quick ship programs.

1           In our company's case, we have quite a number of  
2 large stocking distributors that offer a quick ship program.  
3 And they ship their products within days, if it's a  
4 standardized product. And I think that's the products we're  
5 talking about here that are flooding in are those  
6 standardized products.

7           So in our case, most of our competition or  
8 unfair competition from Chinese is through our stocking  
9 distributors that are operating in that quick ship program  
10 every day. And we continue to stock them on a four-week  
11 lead time basis, but they're shipping their products out,  
12 because they're filling a warehouse full of these  
13 standardized products and they're able to ship those and  
14 fulfill those orders very rapidly.

15           So I don't see the argument there that because a  
16 manufacturer's lead time might vary, that that's the reason  
17 we're losing jobs. That from my perspective is false.

18           MR. RUDER: Thank you.

19           MR. PEPLOWSKI: This is Pat Peplowski with  
20 Heartland Steel. My perspective on that would be because of  
21 the large volume, much like what Dave said, that's being  
22 imported from Chinese manufacturers, they have the ability  
23 then to warehouse these standard goods and turn them to a  
24 customer order in as many -- in two to three days. Whereas  
25 our standard lead times are operating four to six weeks, so.

1 MR. RUDER: Thank you.

2 So it is mentioned that there's a lot of growth  
3 in demand from warehouses and e-commerce, on line  
4 distribution centers. For a lot of the -- those larger  
5 buyers, are they typically buying from the distributors or  
6 do they come to you directly?

7 MR. ANDERSON: It's Jay Anderson with Steel  
8 King. All of our customers in that channel have been direct  
9 sales. And it seems like when a project gets to that  
10 magnitude, that the end users have enough leverage to buy  
11 direct.

12 MR. RUDER: Thank you.

13 MR. OLSON: This is Dave Olson with Ridg-U-Rak.  
14 I'll just add to that. A lot of those projects are direct,  
15 but there are some large distributor chains that are  
16 predominantly in the forklift world, companies like Crown  
17 Equipment, Raymond use large footprints of branch offices  
18 and they have a lot of engineering capability. And they do  
19 have some large accounts with major logistics companies.

20 There's also third party logistics companies  
21 that don't fall into the distributor realm, but they operate  
22 at warehouses. These are like Fed Ex or Genco or DHL,  
23 supply chain companies like that.

24 And they have options of bidding with multiple  
25 suppliers and normally do, so.

1                   MR. RUDER:    Thank you.

2                   MR. SCHAGRIN:   And this is Roger Schagrin.  
3                   We'll address this post-conference, but having obtained  
4                   information from the industry, which obviously through  
5                   various trade associations work with outside economic  
6                   consulting firms, you know, forecasting these trends in  
7                   business, it seems that we may have just been reaching kind  
8                   of the top of supercycle of expansion of e-commerce  
9                   distribution centers and so growth has been quite rapid over  
10                  the last several years, but that the market going forward is  
11                  projected to level out.  We're not going to experience the  
12                  same growth going forward as the last several years.

13                  And in part, that's because some substitution,  
14                  the days of the Home Depots adding 300 new stores a year or  
15                  Wal-Mart building, you know, 500 new stores a year, that  
16                  just seems to be over.  So now, there's going to be even  
17                  those companies, they're going to stop building new stores,  
18                  which are all stores that are just full of storage racks and  
19                  instead be building maybe a few larger distribution centers  
20                  for their sales that are done via e-commerce.

21                  So the balance of probably fewer new big box  
22                  stores with some more e-commerce distribution centers is now  
23                  going to start levelling demand going forward, which is  
24                  going to make this industry more susceptible to the  
25                  competition from China.  And just as -- I mean, this



1 industry, because there's a question before about new  
2 entrants or exits, so this industry suffered an incredible  
3 downturn in demand during the Great Recession as much as a  
4 50 percent drop in demand. But because having spoken to  
5 them, they did so well during the run up to the Great  
6 Recession, they were able to weather it. We didn't have a  
7 lot of exits from the industry.

8 But now, during this past supercycle of  
9 expansion of demand, these companies didn't get the normal  
10 increase profit benefit from that period of increased  
11 demand, which will allow them to weather the next recession.  
12 And that's a real problem in an industry like this that's  
13 subject to cycles is that, and one of the reasons the  
14 statute directs you to take into account the business cycle  
15 is that this is an industry that over this POI should have  
16 seen nothing but increasing shipments and increasing profit  
17 margins and didn't only because of the unfairly traded  
18 Chinese imports. And that is going to make them very  
19 susceptible to the next down turn in demand.

20 MR. RUDER: Thank you. I know this topic  
21 already came up, but just to reiterate, if you have any  
22 knowledge of changes or the magnitude of direct imports by  
23 some of these large sophisticated companies that already are  
24 purchasing in China, we don't -- I don't have a good  
25 understanding of the amount of direct imports that are

1 coming from them. And so, if you could share any of that in  
2 the post-conference brief, that would be appreciated.

3 My next question is if you could comment on  
4 since many of the products are quite interchangeable, it  
5 sounds like, if you could comment on whether or not branding  
6 or name recognition has any importance in the market?

7 MR. PEPLOWSKI: This is Pat Peplowski with  
8 Heartland Steel. I would say that branding does have some  
9 relevance in the marketplace. It from my perspective, it  
10 would allow you a seat at the table to have a discussion  
11 with a customer and that's really in a sense kind of where  
12 it starts and stops so to speak. At that point, you begin  
13 to then compete on opportunities based on market factors.

14 MR. OLSON: This is Dave Olson with Ridg-U-Rak.  
15 You know, I think relationships do matter in environment.  
16 You develop relationships with your clients and I think  
17 where that breaks down and where you've got the customer  
18 loyalty is when there is such a large gap between a  
19 low-priced bid and the rest of the field, that procurement  
20 manager often says to me, he says I can live with a few  
21 percentage differences because you've been a proven  
22 supplier. We'd stay with you, but I can't make up 20  
23 percent in they'll switch you over. So relationships are  
24 important, but they don't fill that big a gap is the point  
25 I'm trying to make.

1                   MR. RUDER:    Okay.  Thank you.  I don't have any  
2 additional questions.  Thank you.

3                   MR. CORKRAN:    Thank you, Mr. Ruder.  Now we'll  
4 turn to Mr. Tsuji, our industry analyst.

5                   MR. TSUJI:     Good morning, everyone.  I'm Karl  
6 Tsuji, the commodity industry analyst for this  
7 investigation.  And I have half a dozen questions about the  
8 -- this -- about the subject product.

9                   We heard from the witnesses the types of steel  
10 racks they produce as well as whether they're standard or  
11 customized, but just for the sake of the record, can you  
12 specify what are the most common types of steel racks  
13 produced in the United States?  Particularly when I look at  
14 on pages 8 and 9 of the petition, there are 11 types of  
15 racks described according to the ANSIMH 16.1.

16                   MS. DRAKE:     I apologize, this is Elizabeth  
17 Drake.  Most of the kinds that are described there in terms  
18 of Cantilever, drive-in, case flow, drive-through, moveable  
19 flow, pick module, et cetera, my understanding is that  
20 pallet rack, otherwise known as selected rack, is far and  
21 away the majority, but I'll have the witnesses confirm.

22                   MR. PEPLOWSKI:   That's correct.  This is Pat  
23 Peplowski with Heartland Steel.  Pallet rack or as we call  
24 it selective storage rack, same thing, makes up the vast  
25 majority of the marketplace.  Statistically, 80 to 85

1 percent of the rack that's bought on an annual basis.

2 MR. TSUJI: Okay, very good. And if you could  
3 just elaborate any further in the post-hearing brief, that  
4 would be -- I would appreciate that.

5 A follow up question. More seeking consent of  
6 the petitioners. As I'm -- it'll be my responsibility to  
7 write about the product for the staff report and given the  
8 long list of the various types of racks, I would like to  
9 include images of what these racks look like, particularly  
10 when I hear -- somebody hears the term cantilever rack. So  
11 I would like to be able to include images from your  
12 catalogs, your websites of the -- of these types of racks  
13 for the benefit of the Commission.

14 MR. SCHAGRIN: We consent to the full use of  
15 all of the members of the coalition's pictures, catalogs,  
16 websites.

17 MR. TSUJI: Thank you very much, Mr. Schagrin.

18 Ms. Drake, you had mentioned -- oh, I'm sorry,  
19 Mr. Anderson, you had mentioned seeing at a trade show a  
20 Chinese steel rack assembly that included stair modules.  
21 And my question is would these stair modules, first of all,  
22 are they adjustable? Are they are integral part of the  
23 steel rack module and even more importantly, would such a  
24 stair module be included within Commerce's scope or not  
25 because it would be considered an accessory?

1                   MR. ANDERSON:   Jay Anderson, Steel King.  Yes,  
2   I was referring to a -- what we call a pick module, which is  
3   usually a fairly tall selective rack system that will have  
4   two or more levels where employees of the user can pick  
5   orders to a tote that runs on a conveyer.  And they're  
6   obviously stairs to get to those two levels.  As far as its  
7   scope, I leave that to the attorneys.

8                   MS. DRAKE:    It's not listed in the illustrative  
9   list of accessories that are within the scope of the stair  
10  modules themselves.

11                  MR. TSUJI:    Okay, if you could elaborate that  
12  further in the post-hearing brief, I would appreciate that.

13                  I have a question about decking, particularly  
14  for pallet modules.  It's been mentioned that the horizontal  
15  beams for steel racks have a shelf or a lip on them to hold  
16  -- to support the decking, whether it's wire decking or  
17  other types of decking.  Obviously, for a pallet rack, it's  
18  not going to be a wire decking, but it'll be much more  
19  substantial decking.

20                  So for the pallet rack is the decking frame of  
21  structural steel either angles or channels that are welded  
22  together so that it's rigid?  Or is it adjustable?  Is it a  
23  separate deck piece or are the -- those cross members  
24  attached to the horizontal beam?  If you need to elaborate  
25  further in the post-hearing brief, that's fine, too.

1                   MR. ANDERSON:   Jay Anderson with Steel King.  
2           The majority of the rack systems that we do actually would  
3           not have any decking on there.  The pallets normally over  
4           hang the front beam and the back beam by about three inches.  
5           We do -- if a customer has any concerns about the  
6           possibility of broken boards on his pallet, then we do make  
7           some optional pallet supports that can be dropped into place  
8           and oftentimes tech screwed into place.

9                   But actually, you know, wire mesh decking is a  
10          product that some people do choose to put on there.  I'm not  
11          really familiar with any other, you know, structural  
12          framework that we drop on as a rule of thumb.  We do some  
13          solid sheet metal decking.  If they're putting dye, steel  
14          forming dyes on the -- rather than a pallet on the system,  
15          that's a very small part of our business though.

16                   MR. TSUJI:    Okay, thank you very much.  And I  
17          think Mr. Cloutier, you mentioned the -- Australia's import  
18          injury investigations into imports of steel decking from  
19          China.  I didn't catch whether the Australians are looking  
20          at anti-dumping as well as countervailing duty orders.  And  
21          also, could you provide any documentation in your  
22          post-hearing brief, I'd appreciate it.

23                   MR. CLOUTIER:   We would be happy to do so.

24                   MR. TSUJI:    Thank you.

25                   And my final question, when the Commission looks

1 at the impact of -- potential impact of third country  
2 sources, what harmonized system -- six digit subheading  
3 would you recommend that the Commission consider? There is  
4 some -- for example, HS 9403.20 that's other metal furniture  
5 not for offices, which would include household metal  
6 furniture, as well as the display cabinets, lockers, racks,  
7 et cetera. And obviously, it's going to be a much broader  
8 category than the subject product or the in-scope product,  
9 but then I also understand too that for the HTS, I think it  
10 was at the 8 digit level, that the steel racks were 50  
11 percent or more by weight of that particular classification.

12 MS. DRAKE: This is Elizabeth Drake. I think  
13 it'd be best for us to address that post-hearing. The  
14 categories that we thought were the six digits that we  
15 should focus on based on our customs rulings turned to be  
16 different from the six digit that the Australians focused  
17 on, which we also thought was a legitimate category.

18 So it may be coming under a number of them and  
19 we'll also hopefully look at importers' questionnaire  
20 responses for some guidance on that post-conference.

21 MR. TSUJI: Okay, I appreciate that. Mr.  
22 Corkran, I have no further questions.

23 MR. CORKRAN: Thank you, Mr. Tsuji.

24 Next, we'll turn to Ms. Haines, our supervisory  
25 investigator.

1 MS. HAINES: Thank you very much for the  
2 testimony. It's been very helpful. The team have covered  
3 the questions I had. Thank you.

4 MR. CORKRAN: Thank you very much. I have just  
5 a couple of follow up questions mainly expanding on issues  
6 that have already been touched upon. One is you've already  
7 got a request outstanding to please discuss the role of the  
8 232 and 301 proceedings. If you would also address the  
9 impact of the issuance of anti-dumping and duty orders in  
10 the United States on hot rolled steel that took place in  
11 2016, and covered imports from, oh, six countries, which I  
12 can't immediately put my finger on. I thought I had them.  
13 Australia, Brazil, Japan, Korea, the Netherlands, and the  
14 United Kingdom.

15 The second question I have, I was very  
16 interested to hear that approximately two-thirds of the cost  
17 was steel and that hot rolled steel was very prevalent  
18 amongst that. Looking at published price series from MEPS,  
19 it looks like there's a persistent premium in the U.S.  
20 market for hot rolled steel of approximately 100 per metric  
21 ton. Given such a premium and given the described super  
22 cycle that the U.S. market is in, my question isn't why are  
23 there imports in the U.S. market of this product, but why  
24 aren't there more coming in from no subject countries? It  
25 would seem like that would create a -- an opportunity for



1 supply from other sources? Are -- is this a product that is  
2 large -- is produced almost exclusively in the United States  
3 or do other countries have equivalent instruments that  
4 produce this product?

5 MR. ANDERSON: It's Jay Anderson with Steel  
6 King. There are a lot of companies producing this product  
7 in Europe and in Asia and I've even seen some in Africa. So  
8 I think what you might be -- found there is the shipping  
9 cost of the finished product to the end user can be a  
10 differentiator and that's one reason why we do not ship a  
11 lot export from our vantage point and probably why there's  
12 not a lot of import.

13 MR. CORKRAN: Okay, thank you, that's very  
14 helpful. I appreciate that. Is -- are there any other  
15 observations on that or is --

16 MR. OLSON: if I might. Dave Olson with  
17 Ridg-U-Rak. If I might add to Jay's comment, I've often  
18 wondered the same thing, Mr. Corkran that if the U.S. market  
19 is so strong, why are there not other countries that make  
20 rack and companies and other countries that make rack? And  
21 you know, broken down frame racks and things shipping into  
22 the U.S. and a -- so what's the differentiator between China  
23 and all the other companies that produce rack?

24 And it's quite obvious to me what the answer is.  
25 Why is China putting so much rack into this country and a

1 lot of other countries that have manufacturers capable of  
2 shipping in or not? And what's the differentiator?

3 The common theme to me is the dumping and the  
4 subsidies that are occurred that allow them to ship their  
5 products into the U.S.

6 MR. CORKRAN: Okay, that's also kind of why I  
7 reference though the fact that there's a sizeable premium in  
8 the U.S. market for steel that's sold. And that's not just  
9 a differentiator for China. That's worldwide.

10 I did have one other question that gets a little  
11 bit beyond the hot rolled steel that was -- has been my  
12 focus to date, and that is can you tell me a little bit more  
13 about assembling operations and who actually performs that?  
14 Is that something that your customers perform when you sell  
15 them the products? They assemble on site? Are there third  
16 parties that assemble it? Who handles the assembling of  
17 these products?

18 MR. PEPLOWSKI: This is Pat Peplowski with  
19 Heartland Steel. More often than not, because we work with  
20 distributors, those distributors will handle the assembly  
21 process on site either with their own labor or  
22 subcontracting that labor for those projects. Occasionally,  
23 end user customers will assemble it themselves, but not  
24 often.

25 MR. CORKRAN: Well, I would like to join all my

1 colleagues in thanking the members of the panel. Let me  
2 look around very briefly to see if there are any additional  
3 questions. Any?

4 Yes, we have a couple of questions coming from  
5 different sources. So hang on just a minute, please.  
6 First, Ms. Shister.

7 MS. SHISTER: Thank you. And I just want  
8 reiterate Mr. Corkran's thanks for all of your both  
9 testimony and, excuse me, and answers this morning. I guess  
10 now it's afternoon.

11 So getting into the -- or to follow up on the  
12 hot rolled steel question, can you use cold rolled? I know  
13 it mentions in the petition cold formed, but can you use  
14 cold rolled steel? And is that -- there a potential cost  
15 savings involved in using that?

16 MR. NEAL: This is Paul Neal with UNARCO. You  
17 definitely could use cold rolled steel, but it is not  
18 cost-effective. It'd be like making your -- all your rack  
19 out of pre-galve material. It's going to be five to eight  
20 cents more, say a pound to do it. You don't gain any  
21 strength, advantage.

22 You do use the cold rolled in very light duty  
23 products. So if you have a -- say a 20 gauge, 22 gauge  
24 item, which the rack really wouldn't be made out of that,  
25 but if you have some accessory on that, that could be cold

1 rolled.

2 MS. SHISTER: Thank you. So the racks that are  
3 unassembled, do they come in, especially when they're being  
4 imported, are they coming in pre-packaged or are they just  
5 coming in as parts and then sort of to add on to that,  
6 because there's been this mention of just needing specific  
7 parts, when you're selling racks or you're bidding for  
8 projects, is it common to just need parts? Or is that sort  
9 of a new development?

10 MR. SCHAGRIN: The answer to the first question  
11 is the imports are coming in both ways. And I think from  
12 the members of the industry just summarized, it was not  
13 common prior to the last 18 to 24 months for customers to  
14 ask for quotes for separate parts. That's a new development  
15 that's been occurring because of the Chinese competition.

16 Anyone wants to add to that?

17 MS. DRAKE: And I think there was some  
18 confidential invoices contained both as part of our  
19 underselling analysis in Volume I and the dumping analysis  
20 in Volume II that would show how the products are shipped.  
21 And we can address it, because those are confidential. We  
22 can address that APO, but that would confirm what Mr.  
23 Schagrin said.

24 MS. SHISTER: Thank you. In terms of steel  
25 racks in general, what's the longevity of these products and

1 is there a need potentially to replace a specific part or is  
2 there any sort of replacement market?

3 MR. BARTLETT: Blanton Bartlett, Hannibal  
4 Industries. They last a long time. I mean, 10 years, 15  
5 years, not unusual. A lot of -- while the product is in the  
6 service, they'll be accidents with the forklifts or other  
7 things that require portions to be taken out and then  
8 reassembled, but the rack can last quite a long.

9 MR. OLSON: Dave Olson with Ridg-U-Rak. Yeah,  
10 it's one of the reasons that galvanized rack is used in an  
11 outdoor or a wet environment, like a wet room in a--for  
12 vegetable or food products, they often use galvanized. And  
13 in those products in a dry environment they would last  
14 indefinitely, as would a properly potter-coated painted  
15 product could last our lifetimes if it's taken care of.

16 Most of the replacement business that occurs in  
17 our industry is due to damage by material-handling  
18 equipment, quite honestly.

19 MS. SHISTER: Thank you. And my last question  
20 is: As part of the cost discussion, and if you need to put  
21 this as part of the postconference brief please feel free,  
22 can you look at energy costs and how--specifically, and how  
23 those are playing into your overall costs?

24 MR. SCHAGRIN: We'll do that postconference, Ms.  
25 Shister.

1 MS. SHISTER: Thank you, and that's all the  
2 questions I have.

3 MR. CORKRAN: Thank you, Ms. Shister. Ms.  
4 McNamara?

5 MS. McNAMARA: I have just a couple brief  
6 follow-up questions. First of all, we were talking about  
7 branding, and I believe, Mr. Peplowski, you said that it  
8 gives you a seat at the table. Can you elaborate on that?

9 MR. PEPLOWSKI: Sure. This is Pat Peplowski  
10 with Heartland Steel. So our brand name, much like  
11 competitors here at the table, is--we've been around for a  
12 long time. Specifically, the racking products since the  
13 1960s. So people know and recognize that name, and that doe  
14 enable us as we're out there competing in the marketplace to  
15 have a bit of a reputation, number one, in terms of what we  
16 do and how we do it.

17 And we also have relationships with customers out  
18 there that know us and have worked with us for quite some  
19 time.

20 MS. McNAMARA: And how do the imports compete in  
21 terms of branding?

22 MR. PEPLOWSKI: In terms of branding, I don't  
23 know. I don't know that I can answer that question. But I  
24 couldn't guess at that.

25 MS. McNAMARA: So it's not--what I'm trying to

1 get at is, if the branding gets you a seat at the table, how  
2 do they compare with that? Do they get a seat at the table?  
3 Do they have recognized brands?

4 MR. SCHAGRIN: This is Roger Schagrin. So I  
5 think like a lot of industries in a cost-conscious world, so  
6 here you have a lot of people in the U.S. industry who have  
7 been around for 50 or 60 years, lots of relationships with  
8 distributors. In a standardized product, which previously  
9 because of shipping issues where there is not much import,  
10 now the Chinese are using price trumps relationship. And  
11 you can see this on the website advertisements of United  
12 Material Handling, or a Newel, that they're look, we've got  
13 great product. It meets specification. And we'll give you  
14 the best price.

15 And so, I mean and there's some differences.  
16 There seems to be some new importer distributors who have  
17 kind of arisen in order to handle Chinese product. And then  
18 you've got an established company like United Material  
19 Handling which has been around for quite awhile, so they do  
20 have a reputation, but they had a reputation as a large  
21 master distributor of domestic product. And then they can  
22 describe, I'm sure this afternoon, describe their business  
23 choices, but obviously you have a blend in the marketplace.  
24 And because this is a standardized product, and maybe  
25 Respondents today will try to argue to the Commission that

1 racks are not a standardized product and so they can make  
2 that argument, and I don't think it's credible, but in a  
3 sense price trumps relationship. And maybe a couple of  
4 percentage points of price doesn't trump relationship, but  
5 big, 15, 20, 25 percent price differentials in installing a  
6 racking system into a warehouse will make people choose a  
7 new Chinese product through a distributor that meets an RMI  
8 standard and has an RMI mark versus the U.S. rack system  
9 from a well-known U.S. rack manufacturer that the  
10 distributor may have previously offered in that city or  
11 regional market that they had serviced.

12 MR. PEPLOWSKI: This is Pat Peplowski again,  
13 just one quick follow-up comment. In terms of branding for  
14 Chinese racking, I mentioned in my response there I wasn't  
15 quite clear on how they would participate there. But the  
16 other factor that Roger mentioned is the RMI R Mark.

17 So that does enable some credibility there in  
18 terms of sitting at the table and providing a solution.

19 MS. McNAMARA: Okay, and so if I'm  
20 understanding, it seems like what you're talking about is  
21 relationships, on what Mr. Olson was saying, where it's more  
22 of a relationship as opposed to we have this brand name and  
23 you have customers or distributors going and asking for that  
24 brand name. It sounds like you're talking about  
25 relationships where you have a--because that's what it



1 sounds like. It seems like when the question is getting  
2 shifted over to relationships as opposed to brand names, and  
3 is that an accurate characterization?

4 MR. OLSON: This is Dave Olson with Ridg-U-Rak.  
5 To expand on that, and this might help clarify that, is I  
6 think, you know, you have relationships with buyers that are  
7 out there that are doing large-scale projects that are high  
8 risk for a procurement manager. He's got to make sure that  
9 his project, or her project, goes well.

10 And that procurement manager is going to rely on,  
11 whether you call it relationships, or branding, but I know  
12 this brand. It's a reputable brand. And I'm going to stay  
13 with it, to a point. I can't justify when I got to get a  
14 bunch of bids, I can't justify leaving 20 percent on the  
15 table from a low bid to this. I can maybe make up a few  
16 points, a differential, and I'll go with the person or the  
17 product that I'm comfortable with. So you have that  
18 situation.

19 But in the day-to-day stocking distributor, I  
20 hate using the word commodity, sorry, but, you know, we look  
21 at value, that we add a lot of value to our products. But  
22 the realities are, the standard products, four of which were  
23 listed that we're studying closely, are the most standard  
24 products, most of the buyers in the U.S. they look at it as  
25 a rack frame and a rack beam and they don't differentiate

1 brand in that scenario.

2 MS. McNAMARA: And would you say that's largely  
3 because they meet the RMI standards? So when you're looking  
4 at it, you said that they have to--you know, they're  
5 building these large racks, and I would imagine there's  
6 safety issues. So if I'm understanding what you're saying,  
7 it is that they have the two options: the brand name, the  
8 relationship that they recognize, and then this largely  
9 under--priced much lower, but still meets that RMI? Is that  
10 what you're looking at?

11 MR. OLSON: Yes, ma'am. In my opinion, yes, I  
12 think the R Mark does lend them some credibility. To the  
13 buyers that are conscientious about this has to meet the  
14 building code spec's and things like that, that's where the  
15 R Mark allows them to come to the table and brings some  
16 legitimacy to that. But there's buyers out there, honestly,  
17 that say it's a horizontal beam and it's a vertical frame  
18 and I don't care who made it, what it does, it's going to  
19 hold my stuff up. That's the honest truth.

20 And so you've got that whole plethora of  
21 different types of buying behaviors out there. But  
22 certainly the R Mark does legitimize for many customers the  
23 Chinese import that has that R Mark certification. It gives  
24 them some credibility.

25 MS. McNAMARA: Great, thank you--

1           MR. ANDERSON:   This is Jay Anderson from Steel  
2   King.  If I could just add one more interesting layer to  
3   this, is that historically the majority of our sales have  
4   been through resellers, primarily distributors and dealers,  
5   whose sales people are largely, if not totally,  
6   commission-based sales people.  So a lot of times the  
7   reputation of the manufacturer doesn't make it to the end  
8   user if the reselling salesperson can make a lot more  
9   commission on A versus B; that's where they're going to tend  
10  to go.

11           So, yes, it has value but it doesn't always even-  
12  -we don't even always get a chance to discuss that with the  
13  end user.

14           MS. McNAMARA:   Thank you very much.  That was  
15  very helpful, and I have nothing further.

16           MR. CORKRAN:    Thank you, Ms. McNamara.  One last  
17  check for additional questions.

18           (No response.)

19           MR. CORKRAN:    With that, I really want to thank  
20  the panel today.  This has been extremely helpful and  
21  extremely informative.  We will dismiss the panels, and we  
22  will reassemble for the Respondent's presentation beginning  
23  at 1:30.  So we will break for one hour for lunch.  Thank  
24  you very much.

25           MR. SCHAGRIN:    Thank you, Mr. Corkran, and thank

1       you to the staff.

2                       (Whereupon, at 12:30 p.m., the hearing was  
3       recessed for lunch, to reconvene at 1:30 p.m., this same  
4       day)

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1 the largest exporters are. And I've spoken with the largest  
2 exporters as well directly, and we encourage them all to  
3 answer the question here. And I think after you ask them  
4 who they are, you will notice that they did respond to the  
5 foreign producer questionnaire.

6 And so we think you have a very complete and  
7 reliable data set from which to do your injury analysis in  
8 this case with respect to at least the affected imports.

9 And I would like to now turn it over to Ryan  
10 Bartlett for his presentation.

11 Excuse me, one more point. Actually we thought  
12 it made sense to do the like-product argument first, so if  
13 maybe we could just have them go first and then we'll kind  
14 of bat cleanup.

15 MS. NAGARAJAN: Thank you to the panel for  
16 allowing us to present today. I am Nithya Nagarajan of  
17 Husch Blackwell, and we represent JS Products, Incorporated.  
18 They are an importer of steel racks, but our main focus has  
19 been the like-product argument. And with that I'll turn it  
20 over to--

21 MR. BURCH: Excuse me. Can you please  
22 reannounce your name?

23 MS. NAGARAJAN: Nithya Nagarajan. Thank you.  
24 I'll now turn it over to Mr. Jared Hanlon of JS Products.

25 STATEMENT OF JARED HANLON

1           MR. HANLON: Hello. Thank you for having me  
2 here today. Good afternoon. My name is Jared Hanlon. I am  
3 a project engineer with JS Products.

4           JS Products is an importer of steel racks that  
5 are impacted by this Petition in this case. I've been with  
6 the company for over six years, and I am in charge of the  
7 designing, qualification, and sourcing of product in the  
8 United States and other countries, including steel racks  
9 that I'm testifying about today.

10           The company designs, develops, and sells  
11 high-quality tools and equipment for professional automotive  
12 and retail markets. We have six engineers on staff and over  
13 80 employees in the U.S.

14           One of our products we designed and now sell into  
15 the U.S. is a series of consumer grade steel storage racks.  
16 We were surprised to learn that these racks appear to be  
17 covered in the scope of the Petition filed in this case.

18           It is our understanding that this position is  
19 intended to cover warehouse and distribution style racking,  
20 not the consumer grade products sold by JS Products.  
21 However, the scope is so broad that it appears to not only  
22 cover the racks sold by JS Products, but could potentially  
23 cover the consumer storage racks and shelvings used in homes  
24 and offices.

25           Attached to my testimony you will find a picture

1 of a consumer grade storage rack sold by JS. In the  
2 background of that photograph you will see the warehouse and  
3 distribution racking sold by the Petitioners that we believe  
4 was that intended to be covered by the scope.

5 These types of steel racks are not comparable and  
6 are not in competition with each other. In fact, our racks  
7 would be stored on the Petitioner's racks in a warehouse or  
8 big box stores. In fact, we use Petitioner's racks in our  
9 warehousing.

10 Let me now highlight some of the differences  
11 between the Petitioner's racks. The racks designed and sold  
12 by JS Products can be distinguished from the Petitioner's  
13 rack based on a variety of physical characteristics.

14 Our racks are generally 6 feet or less in width,  
15 and 24 inches or less in depth. The Petitioner's racks are  
16 generally 8 feet in width or greater, or 24 inches in depth  
17 or greater. The maximum storage capacity for our racks  
18 don't exceed 2,500 pounds per shelf, which is significantly  
19 less than the capacity of the Petitioner's racks which  
20 typically have a capacity of around 5,000 pounds per shelf.

21 Our uprights never exceed 6 feet, while the  
22 uprights of Petitioner's racks are 12 feet and more. Our  
23 racks would not exceed a unit weight of 200 pounds, while  
24 Petitioner's racks would be often double that, triple that.  
25 Our racks are not certified to ANSI standards, nor have our



1       retailers required us to meet those standards.

2               The Petitioner's racks have welded mounting foot  
3       to allow it to be lagged or bolted to a concrete floor,  
4       while our consumer grade racks have a plastic snap-in  
5       mounting insert.

6               Many of our racks are sold with wood shelves that  
7       are not suitable for warehouse applications.  These  
8       differences in physical characteristics result in the  
9       product having entirely different uses.  JS Products are  
10      actually used for storage in home garages, or to store files  
11      and supplies in offices and can be assembled by the consumer  
12      without the use of a contractor.

13              They are prepackaged for retail sale in a box  
14      that would fit inside your car or SUV, and contain all the  
15      parts and components required for the customer to assemble  
16      the racks.

17              They are generally sold in retailers such as Home  
18      Depot and Lowe's.  By contrast, the Petitioner's racks are  
19      used in warehouses and big box stores requiring contractors  
20      to install, and are generally shipped in on flatbed trucks.

21              The Petitioner's racks are also sold through  
22      supply houses and various contractors such as Granger.  Our  
23      racks cannot be used for the same applications as the  
24      Petitioner's racks, and their racks cannot be used for our  
25      applications.



1                   MR. BARTLETT: Thank you for having me here  
2 today. Good afternoon. I am Ryan Bartlett, President of  
3 United Materials Handling, located in Paris, California. I  
4 started my company out of my grandma's house with \$1,000 in  
5 my bank account at 19 years old with nothing to lose but to  
6 see where this business would take me.

7                   I have sold American-made racks from most of the  
8 Petitioners, as well as imported racks from Mexico and  
9 China. And I have physically installed the racking myself.  
10 I have 14 years of industry experience, 10 of which I have  
11 owned my own company.

12                   Today we are approximately \$25 million in annual  
13 revenue, and have about 75 employees working for our company  
14 in the United States. What differentiates us from most of  
15 our competition is that we are vertically integrated to  
16 provide turnkey projects for most of our customers by  
17 supplying both the materials and installations from our own  
18 employees.

19                   This gives us a strategic competitive advantage  
20 over all of our competition by allowing us to control the  
21 quality of the materials and installation.

22                   The reason I am here today is to confront the  
23 inaccuracy and collusion of the Petitioners that have filed  
24 this case against the Chinese rack imports. Imports from  
25 Mexico make up about 30 percent of market share from two of

1 the largest producers in our racking industry, Interlake  
2 Mecalux, and Frazier Industrial, who are two that were  
3 excluded from this Petition.

4 When reviewing the import volume that was  
5 included in the Petition, I noticed that is not even close  
6 to being accurate. Chinese imports make up a very small  
7 percentage of the total U.S. market reported to the RMI, not  
8 the 25 to 30 percent as falsely estimated in the Petition.

9 On page 14, Section L, the Petition specifically  
10 spells out that there is not an HTS code that specifically  
11 applies to steel racks besides categories listed as "other."  
12 They also put in an assumption that steel racks equal 50  
13 percent of the weight imported under the HTS code, which  
14 anyone walking down the street could have put as much effort  
15 to determining that percentage.

16 The intentional high percentage is to make it  
17 seem that the imports from China are much higher than they  
18 really are so they can keep the competition out rather than  
19 supplying actual facts that are accurate and objective  
20 facts.

21 What the Petitioners fail to recognize is that we  
22 are servicing customers in ways that they have been unable  
23 or unwilling to accommodate, and they have refused to change  
24 the way they have done business for over the last 30-plus  
25 years for.

1           Most importers are buying products and building  
2           an inventory to be able to sell within a common lead time of  
3           one to two weeks. The Petitioners commonly have a 10 to  
4           14-week lead time for orders, no matter how large or small  
5           the order is.

6           Imagine if you were moving your warehouse and  
7           needed to wait around three months just to receive rack from  
8           the Petitioners. With today's world, everyone wants it as  
9           soon as possible, which I consider to be the "Amazon effect"  
10          that has changed the way everyone does business.

11          In some instances, customers are willing to pay a  
12          little more to get it sooner rather than having to wait.  
13          Another advantage to our products is that one of the main  
14          components' frames are a bolt-together assembly that allows  
15          for more cost-effective shipping.

16          For example, most trucks can only take 120 normal  
17          sized welded frames, but when shipping bolted frames we can  
18          leave the frames disassembled and ship over 400 on one  
19          truck.

20          Every Petitioner welds their frames together,  
21          which is considerably more expensive to produce and ship.  
22          In addition, we allow customers to select custom colors of  
23          their desire at no additional charge if they're willing to  
24          wait the 7 to 8 weeks to receive them from the factory. The  
25          Petitioners have 3 to 4 standard colors to choose from, and

1 if you want custom colors they pay a large--they charge a  
2 large fee for them to customize.

3 None of the Petitioners are known in the industry  
4 for their customer service, and it is exceptionally easy to  
5 sell them on customer service--against them on customer  
6 service because we are able to help the customer and give  
7 them the resources they need with extremely fast lead times.

8 The Petitioners have selected four items in this  
9 Petition strategically. They neither call out the beams,  
10 call out the gauge of the beams or capacity that we should  
11 be providing data for. The most commonly sold 96 x 4 inch  
12 beam is a 16-gauge beam, but they left out the gauge on  
13 purpose for both products one and two, so an appearance of  
14 underselling would exist.

15 When comparing the beams, the difference between  
16 a 16 and a 14-gauge beam is about 20 percent less in weight  
17 and price. My guess is they will provide information on  
18 14-gauge beams while having the overseas factories and  
19 importers supply 16-gauge data. For product three, they  
20 requested a 14-gauge comparison, for which we have never  
21 sold because that is overkill for a 10-foot-high frame.

22 The standard imported gauge for this height is 15  
23 gauge. Seismic engineers through their testing have  
24 confirmed this gauge meets all requirements for this height.  
25 All the Petitioners do not offer 15 gauge 3 x 3 column

1 frame, which is another example of their stuck-in-the-mud  
2 business model.

3 It is very important to note that overseas  
4 factories and domestic factories are part of a trade  
5 organization called Rack Manufacturers Institute, otherwise  
6 known as RMI. To become part of RMI you must meet the  
7 standards for product testing that the RMI sets forth to  
8 become a member.

9 They also send a consultant out to your factory  
10 to confirm you are the company manufacturing the products.  
11 These requirements to become part of RMI have been  
12 constantly developed and added to over the years to make it  
13 harder and harder to become part of the RMI.

14 Over the last two to three years, RMI has voted  
15 in five to six Chinese factories who went through all of the  
16 testing and requirements set forth by RMI to become a  
17 member. The Petitioners all voted yes to having these  
18 Chinese factories join the RMI and charged them \$25,000-plus  
19 to join.

20 It is not right to have these companies jump  
21 through the hoops they set up to make sure that they meet  
22 all the standards in the U.S. market, take their money, and  
23 then abolish their ability to sell in the U.S. market.

24 In my opinion, the Petitioners violated many  
25 bylaws of the RMI Trade Association by releasing

1 confidential statistic data in this Petition, and by  
2 attempting to exclude foreign competitors within the trade  
3 association, which has created the liability for themselves  
4 and the Trade Association.

5 In a declaration by Pat Peplowski, he used his  
6 chairman position in the Association against us as a  
7 position of power, which goes against the bylaws and shows  
8 how they are desperate to win this case. He states that RMI  
9 was started in the 1980s, but yet it has existed since 1958.  
10 He states the statistics are confidential, but yet shares  
11 the statistics in the Petition, which is again another  
12 violation of the bylaws.

13 In Section 8 of Mr. Peplowski's declaration, he  
14 states 70 percent of the shipments were from domestic  
15 shipments, and the remainder were predominantly from China.  
16 Well what about the imports from Mexico? How can he guess  
17 that 70 percent of these shipments were from domestic  
18 shipments when they're not allowed to share confidential  
19 statistics with each other?

20 My point of all this is that they don't have  
21 anything factual to back up their opinions, because that is  
22 all they are is opinions that Mr. Peplowski used his title  
23 to make them seem accurate instead of applying facts.

24 The Petitioners state there is underselling of  
25 products from the imports versus the domestic product, which



1 is unlikely since they are not comparing items correctly.  
2 The difference in gauges can be 20 to 25 percent in weight  
3 and price, and if they don't offer the same gauges importers  
4 do, then they are not comparing the same items on a fair and  
5 reasonable basis.

6 Since December of 2017, I have lost millions of  
7 dollars in business to most of the Petitioners. The fact  
8 that they don't think they beat imports on projects is  
9 false. And they beat import rack on a regular basis for  
10 customers that do fit within their business model.

11 On July 5th, one of the Petitioners posted on  
12 their social media they have had 30 percent returns year  
13 over year for over a decade now, and celebrated with a  
14 picnic in the park for all of its employees.

15 According to my knowledge, these producers have  
16 been making a lot of money for quite some time now. It is  
17 not factual that the Chinese imports have caused any injury  
18 to these Petitioners. If anything, they should be more  
19 concerned with the products coming from Mexico, which they  
20 are choosing to ignore.

21 The main reason for this Petition being filed was  
22 to create a monopoly in the market. There are no facts in  
23 this Petition, and this case doesn't deserve to go any  
24 further than the initial preliminary stage.

25 Thank you for your time and chance to be able to

1 share my point of view. Please let me know if you have any  
2 questions.

3 MR. CORKRAN: Does that conclude the panel?

4 MR. MENEGAZ: Yes, that concludes this  
5 afternoon's panel.

6 MR. CORKRAN: Okay, thank you. Before I turn to  
7 my colleagues, there was something, Mr. Bartlett, in your  
8 testimony that I meant to write down and I missed it. You  
9 identified two firms that you associated with imported  
10 product from Mexico. Could you please repeat the names of  
11 those two firms?

12 MR. BARTLETT: Ryan Bartlett from United  
13 Materials Handling. One of the firms was Interlake Mecalux,  
14 and the second firm was Frazier Industrial.

15 MR. CORKRAN: Thank you, Mr. Bartlett.

16 With that, I'm going to turn to my colleagues to  
17 begin questioning, and we will start with our investigator,  
18 Ms. Shister.

19 MS. SHISTER: Thank you very much. And thank  
20 you for coming and testifying this afternoon.

21 Several of these questions you may have heard  
22 this morning. So especially given the potential  
23 like-product issue, can you sort of, mirroring the questions  
24 I asked this morning, can you sort of walk through what your  
25 impression of this product is? And especially what it looks

1       like as it's being imported and coming in off the boat, I  
2       guess?

3                   MR. BARTLETT:    I think that the--oh, I'm sorry,  
4       this is Ryan with UMH.  It's shipped in in containers, and  
5       it is 100 percent, as far as the beams go, made.  
6       Everything's welded, and powder-coated.  As far as the  
7       frames, they come in shipped as columns and with bracing.  
8       And then we ship that, and eventually that gets assembled  
9       either in our warehouse or directly onsite.

10                  MS. SHISTER:    Thank you.  And do you have  
11       distribution centers across the country?  Or basically how  
12       far do these racks have to travel?

13                  MR. BARTLETT:    Ryan from UMH.  The racks--in my  
14       case, we only have one warehouse located in Southern  
15       California.  Most of our business, I would say 85 percent of  
16       our business is the Southwest.  We do ship some product  
17       through the ocean containers throughout the country, but a  
18       majority of it is the Southwest.

19                  MS. SHISTER:    Thank you.  And to the best of  
20       your knowledge, which ports are your goods coming in  
21       through?

22                  MR. BARTLETT:    Ryan with UMH.  I mean 85, 90  
23       percent is through Los Angeles.  The rest is kind of  
24       Seattle, Oakland, Savannah.  But like I said, that's about  
25       probably 15 percent of the product, maybe less.

1 MS. SHISTER: Thank you. Do you--I mean you  
2 mentioned that you purchase from both--purchase both  
3 imported racks and domestically produced racks. Do you  
4 intermingle, especially as we heard this morning, are you  
5 intermingling parts from the two different racks?

6 MR. BARTLETT: Ryan with UMH. So, yeah, there  
7 is interchangeability. There is some differences with the  
8 different manufacturers as far as tolerances and some of  
9 their components that I would say there's definitely not a  
10 hundred percent interchangeability, but there is some  
11 interchangeability especially when a customer wants to move  
12 from one warehouse to another and is going to go taller and  
13 could be only purchasing uprights and reusing the beams that  
14 he already owns.

15 There is some instances also where used racking  
16 is being supplied from other sources, but the  
17 interchangeability I would say is probably pretty up there.

18 MS. SHISTER: Thank you. So we heard this  
19 morning that there are I guess roughly like 11 different  
20 kinds of racks. Which kinds of those racks are you  
21 importing? And do you have the ability to import some more  
22 than others?

23 MR. BARTLETT: Ryan from UMH. I think that they  
24 were accurate that I would say 95 percent of what we bring  
25 in is the rolled formed pallet racking. Five percent is the

1 cantilever. We don't sell any of the other types of racking  
2 that they--that is in our industry.

3 MS. SHISTER: Thank you. And do you find that  
4 there's any sort of difference between the roll form and the  
5 structural rack?

6 MR. BARTLETT: Ryan from UMH. Yeah, there is  
7 definitely a huge difference as far as weight goes and cost  
8 goes. To my knowledge, no importer brings in any structural  
9 pallet racking. The only thing structural that is imported  
10 is the cantilever, which is a very small percentage.

11 MS. SHISTER: Thank you. And I know you said  
12 that your firm is vertically integrated, and so you import  
13 and then assemble. To your knowledge, are there firms who  
14 specialize just in rack assembly?

15 MR. BARTLETT: Ryan with UMH. So there's this  
16 installation companies spread throughout the world which--  
17 I'm sorry, throughout the country, that physically put up  
18 the racks. But I think I want to draw like a clear line  
19 between assembling my frames versus assembling the uprights  
20 and beams together.

21 So the Petitioners will weld the two columns and  
22 their bracing together, so it's one unit called "a frame."  
23 I can ship my product that is bolted together as two columns  
24 and all the bracing, and then hire somebody, let's just say,  
25 a couple of states over to put my frames together onsite

1       which allows me to ship it much cheaper than they can. And  
2       then they would also assemble the frames and beams together  
3       for the customers to store their products on.

4               MS. SHISTER:    Thank you.  And so are you, other  
5       than--so basically are you doing any sort of finishing  
6       activity with the beams that are coming--the beams and the  
7       uprights that are coming in, are you finishing these?  
8       Coating them at all?  Or is it simply assembling?

9               MR. BARTLETT:   Ryan with UMH.  No, we are just--  
10       -the only assembly that occurs is on the frames.  But  
11       everything is finished.

12              MS. SHISTER:    Thank you.  So you had mentioned--  
13       it was mentioned in the opening statement, and then also in  
14       the testimony, that there had been some head-to-head sales  
15       in which the importer actually lost out.  So for the  
16       post-conference brief, if possible, if you could provide  
17       documentation to substantiate that, that would be helpful.

18              Are there any kinds of racks that the domestic  
19       industry isn't able to provide?

20              MR. BARTLETT:   Ryan with UMH.  Not that I'm  
21       aware of.

22              MS. SHISTER:    Thank you.  And I know you  
23       mentioned in your testimony the nonsubject sources for  
24       racks.  If you could, to the best of your ability, provide  
25       some documentation about these nonsubject sources, any sort

1 of data or invoicing kind of documentation would be helpful,  
2 as well.

3 MR. MENEGAZ: Could I make one point? Greg  
4 Menegaz for UMH. We think we've given--we believe we've  
5 given these names to the Commission, and the Commission has  
6 the full power to solicit information directly from these  
7 two very important domestic producers that were omitted from  
8 the list of domestic producers by the Petitioners who know  
9 exactly who they are and exactly what their role is in the  
10 U.S. industry and in importing from Mexico. Thank you.

11 MS. SHISTER: Thank you. So you've also  
12 commented on the volume estimates from Mexico--or, sorry,  
13 from China in particular. So just further in the  
14 post-conference brief, if you could flesh out where you  
15 based some of your numbers on, and how you're coming to your  
16 own estimates, that would be helpful, as well.

17 Do you hold inventories in your warehouse? Or do  
18 you sell basically direct?

19 MR. BARTLETT: Ryan from UMH. No, I have a very  
20 large inventory. That's pretty much how we are trying to  
21 get a lot of our customers, is being able to react quicker  
22 than our competition. What was the second part of the  
23 question?

24 MS. SHISTER: It was basically do you hold  
25 inventories, or do you sort of--

1                   MR. BARTLETT:    Yeah, I mean that's our main  
2                   thing, is holding inventory.

3                   MS. SHISTER:    And what kinds of companies are  
4                   you selling to?  Are you selling directly to end users, or  
5                   to other distributors?

6                   MR. BARTLETT:    I sell to both.  I would say it's  
7                   probably--I mean, I think in the post-conference brief I can  
8                   clarify that.

9                   MS. SHISTER:    Thank you.  And what do you see as  
10                  some of the key purchasing factors for your rack?

11                  MR. BARTLETT:    Ryan with UMH.  The key for  
12                  purchasing is definitely quality, lead times, the ability to  
13                  be able to have the specs that we've put onto the factories,  
14                  and price is obviously a factor for sure.

15                  MS. SHISTER:    Thank you.  Do you see any  
16                  difference in the types of coatings, especially when it  
17                  comes to pricing of the rack?

18                  MR. BARTLETT:    Do I need to say "Ryan UMH" every  
19                  time?  No, to my knowledge most of the Petitioners and  
20                  myself all powder coat.  I know that they spoke about  
21                  galvanized and stuff, which we don't do at all.  All of our  
22                  stuff comes in powder coated.

23                  MS. SHISTER:    Thank you.  When you're importing  
24                  this product, are you importing just pieces?  Or are you  
25                  importing full sets?  And do they come in prepackaged, or is



1       it not prepackaged, I guess?

2                   MR. BARTLETT:    We order by the pieces.  So like  
3       if we order 10,000 beams, then 10,000 beams.  Frames we'll  
4       order by the columns and the amount of bracing.  It's  
5       packaged together with the same exact product, so that way  
6       we're efficient in our shipping.  But other than that,  
7       that's what--how it comes in.

8                   MS. SHISTER:    And then when you are shipping out  
9       to your customers, are you prepackaging the frame itself?  
10      Or are you shipping out sort of by piece?

11                  MR. BARTLETT:    So it is a mixture.  On larger  
12      projects it's more advantageous for us to leave them  
13      disassembled, because it's a lot cheaper in freight,  
14      especially if we have to drive 5- 600 miles on a truck.  And  
15      it also depends how quickly the customer wants it installed.

16                  So we do ship some already assembled, and which  
17      we assemble in our warehouse.

18                  MS. SHISTER:    Thank you.  This question is  
19      likely for counsel, but can you--like I asked this morning,  
20      can you comment on the potential implications of the 232 and  
21      301?

22                  MR. MENEGAZ:    Yes, we can address that in the  
23      post-conference brief, but we were made aware this morning  
24      that the new wave of tariffs has hit these products.  So  
25      there would be a 10 percent tariff on steel racks from

1 China.

2 MS. SHISTER: Thank you. That's very helpful.

3 Do you have the capability of--understanding lead  
4 time--do you have the capability of importing and then  
5 distributing custom racks beyond the pallet and cantilever?

6 MR. BARTLETT: I think what the Petitioners were  
7 trying to explain, and I think I can help explain, is that  
8 the columns and the beams are pretty much the same type of  
9 product. It's just the length of them, which is the  
10 difference. I don't know that that would be considered  
11 "custom." But there are custom sizes--I'm sorry, there are  
12 standard sizes versus custom sizes. But, yeah, I mean if  
13 somebody wanted a 8-1/2 foot beam versus a 8-foot beam, it  
14 is something we could quote them and sell to them. It would  
15 just have a lead time, because it would need to be made to  
16 order versus out of our stock. Percentagewise, that's a  
17 very, very low percentage.

18 MS. SHISTER: Thank you. And do you have any  
19 firms abroad that you are directly related to, or do you  
20 just sort of shop the best purchases from China?

21 MR. BARTLETT: No, we have--I've got one primary  
22 source that I deal with in China for these products that we  
23 have an agreement with.

24 MS. SHISTER: Thank you. And also for counsel,  
25 are you aware, other than the order in Australia that's

1 currently under investigation, are you aware of any other  
2 third-country orders?

3 MR. MENEGAZ: We are not aware of any other  
4 orders.

5 MS. SHISTER: Thank you. At this point, I  
6 believe that's all I have.

7 MR. CORKRAN: Thank you, Ms. Shister. Next,  
8 we'll turn to Ms. McNamara, our attorney.

9 MS. MCNAMARA: Courtney McNamara, Office of  
10 General Counsel. I'm gonna start with the domestic like  
11 product argument. And I wanted to make sure that I  
12 understand it. So what your argument is, if I understand  
13 it, is that you believe that a definition of the domestic  
14 like product that is co-extensive with this scope, includes  
15 your product. And you don't want it to? Is that --

16 MS. NAGARAJAN: I think in a nutshell that  
17 summarizes it. We will be filing the appropriate scope  
18 comments with Commerce upon initiation and setting the scope  
19 comment schedule. But in essence, our argument is that the  
20 breadth of the physical descriptions in the scope as  
21 written, effectively inadvertently brings in the consumer  
22 grade racks that our client imports.

23 Because they import from China, it is  
24 potentially affected by this, because one of the HTS numbers  
25 that's listed in the scope as written in the petition

1 includes this consumer grade rack. But because there's no  
2 kind of, you know, dimensional characteristics or refinement  
3 in the scope.

4 But because it's all a verbal description, it  
5 inadvertently could fall in with what is known as a moveable  
6 shelf rack or a portable rack, because these are, in fact,  
7 portable units that you and I would potentially put in our  
8 garage, or we keep in our basement.

9 MS. MCNAMARA: But are you talking about  
10 domestic products or imports?

11 MS. NAGARAJAN: We --

12 MR. BROPHY: You're talking about -- I'm sorry.  
13 Your question is obviously talking about the way the scope  
14 is written, we believe there is a clear dividing line  
15 between our products and the products that petitioners are  
16 complaining about.

17 MS. MCNAMARA: Right. But are you talking about  
18 imported product? Or are you talking about domestically  
19 produced product?

20 MR. BROPHY: Whether this product is  
21 domestically produced?

22 MS. MCNAMARA: Right.

23 MR. BROPHY: That is actually something we are  
24 looking into. Most of the competition, as Mr. Hanlon  
25 testified, is coming from the boltless steel shelving.

1 Producers, whether there's actually domestic production,  
2 either by any of the petitioners or any other companies in  
3 the U.S., we are assessing that.

4 We will deal with it more in our post-conference  
5 brief. But I don't know at this point whether you're  
6 dealing with a domestic like product or most similar  
7 analysis.

8 MS. MCNAMARA: Okay. But because this is  
9 sounding more and more like a scope issue about imports, as  
10 opposed to an actual domestic product.

11 MR. BROPHY: Well, it is a scope issue because  
12 the scope currently describes this product. So the  
13 Commission has to make some kind of domestic like product  
14 determination. If this product is in the scope, is it the  
15 same domestic like product, as well, petitioners have  
16 described this morning?

17 MS. MCNAMARA: Okay, so you're not sure if there  
18 is a domestic --

19 MR. BROPHY: Industry?

20 MS. MCNAMARA: Right. For this?

21 MR. BROPHY: At this point, we're not sure. We  
22 will try and deal with it in our post-conference brief.

23 MS. MCNAMARA: Yeah, and because it does sound  
24 -- and I'm kind of struggling a bit, because did I ask  
25 petitioners to respond to this, but I'm not sure what to ask

1       them to respond to.  If this is a scope issue, and your  
2       focus is on imports, then that doesn't sound like a domestic  
3       like product issue.  And it doesn't sound to me like -- and  
4       if I'm not mistaken, you just said you believe there's clear  
5       lines as to why this is not included in this scope?

6                 MR. BROPHY:  No, if it is within the scope, we  
7       think there's a clear dividing line in determining a  
8       separate domestic like product.

9                 MS. MCNAMARA:  Okay.  So --

10                MR. BROPHY:  As long as it is in the scope.  I  
11       mean it is described by the scope as the scope is currently  
12       written.  It is a steel rack.  It does have, you know --  
13       there's no express exclusion for this kind of rack.

14                MS. MCNAMARA:  Okay.  But your actual concern is  
15       you're not representing a domestic producer who's --

16                MR. BROPHY:  No, we are not a domestic producer,  
17       no.

18                MS. MCNAMARA:  Okay.  So your concern is the  
19       imports?

20                MR. BROPHY:  Yes, we are an importer.

21                MS. MCNAMARA:  Okay.  Like I said, it sounds to  
22       me like this is a scope --

23                MR. BROPHY:  That's what we will be raising with  
24       Commerce as a scope issue.

25                MS. MCNAMARA:  Right.

1           MR. BROPHY: But the extent that it is, the  
2 extent it is still in the scope, we would argue that it is a  
3 separate like product.

4           MS. MCNAMARA: Okay. Yeah, if you could --

5           MR. BROPHY: We will --

6           MS. MCNAMARA: As you decide --

7           MR. BROPHY: Post-conference brief, we will --

8           MS. MCNAMARA: Right. And --

9           MR. BROPHY: -- deal with this in more detail.

10          MS. MCNAMARA: That would be helpful I think.

11 And it, like I said, I mean I've asked petitioners to  
12 respond to that, so to the extent you can give any  
13 explanation why you think it's in the scope. Or what you  
14 think might be going on in the U.S. industry with this.

15          MR. BROPHY: I can't speak for petitioners or  
16 how they wrote the scope. I mean it is a steel rack, has  
17 vertical components, has horizontal components, braces,  
18 frames, if there's a reason it's outside the scope, I'd be  
19 interested in knowing.

20          MS. MCNAMARA: Well, if they -- let me also put  
21 it this way. If they don't challenge that this is not  
22 covered in the scope -- I mean if they don't challenge if  
23 this is part of the domestic industry, or domestic product,  
24 what do we do with that? If we don't know --

25          MR. BROPHY: Well, hopefully, if they're gonna

1 do that, they would just decide to amend the scope.

2 MS. MCNAMARA: Okay. Well, yes. I mean you can  
3 -- you indicated that you're looking at this as a scope  
4 thing and, like I said, to the extent that you're -- I just  
5 think you may just need to explain to me at least why you  
6 think this falls within the scope. And then the traditional  
7 analysis as to why, because it's -- to me it seems that  
8 they're, that they are different products.

9 MR. BROPHY: Right.

10 MS. MCNAMARA: But --

11 MR. BROPHY: We think so, too.

12 MS. MCNAMARA: But I'll look forward to it in  
13 the post-conference.

14 MR. BROPHY: We promise.

15 MS. MCNAMARA: Thank you. So I guess this leads  
16 to the next question, the domestic industry. So you don't  
17 know from your perspective what the definition of the  
18 domestic industry is? That's kind of ambiguous right now?

19 MR. BROPHY: Yes, again, we'll try and provide  
20 more information in the post-conference brief.

21 MS. MCNAMARA: Okay. Do you have any position  
22 on the domestic industry?

23 MR. MENEGAZ: Not at this moment on that issue,  
24 no.

25 MS. MCNAMARA: Okay. Do you -- let me turn to



1       you, though. Do you have any challenges to the domestic  
2       like product or any concerns about the domestic like product  
3       being so extensive with the scope?

4                   MR. MENEGAZ: We do not have any concerns at  
5       this time.

6                   MS. MCNAMARA: One of the things, Mr. Bartlett,  
7       you had talked about, was you talked about the purchasing  
8       factors. And you talked about quality, lead time, specs, I  
9       believe, and price. How are the imports and the domestic  
10      product comparable in terms of quality?

11                  MR. BARTLETT: In my opinion, they're almost  
12      identical. I think that every manufacturer, domestic and  
13      foreign, have their own little small things that they do a  
14      little bit different as far as to make it kind of their own.  
15      But everybody predominantly has the teardrop style racking,  
16      that is 95% of our industry for the roll form. And  
17      structural is just channel with holes punched in it.

18                  MS. MCNAMARA: I'm sorry? You said that the  
19      structural --

20                  MR. BARTLETT: Structural is just channel that  
21      they punch holes in, as well as the beams and attach it with  
22      a nut and a bolt.

23                  MS. MCNAMARA: Okay. And when you're saying  
24      with structural, were you talking about kind of the rolled  
25      versus structural?

1 MR. BARTLETT: Yeah.

2 MS. MCNAMARA: And so do you as an importer, you  
3 bring in the structural, I think --

4 MR. BARTLETT: No, we do not.

5 MS. MCNAMARA: You do not. Are you aware of any  
6 imports that --

7 MR. BARTLETT: The only structural we do bring  
8 in is the cantilever.

9 MS. MCNAMARA: Okay. So that would fall into  
10 the structural --

11 MR. BARTLETT: Right.

12 MS. MCNAMARA: And how much of that--and I  
13 apologize if I'm repeating--how much of that would you say  
14 makes up the imports that you bring in?

15 MR. BARTLETT: 5%.

16 MS. MCNAMARA: Are you aware if other importers  
17 are bringing in structural or how that might lay aside from  
18 just yours?

19 MR. BARTLETT: Just the cantilever and  
20 structural. No pallet racking to my knowledge in any of my  
21 foreign competition brings in pallet rack or structural.

22 MS. MCNAMARA: The other thing you mentioned,  
23 and I think you talked a bit about this, was the lead time,  
24 and that there's differences. Can you--and I, again,  
25 apologize if this was, if you've talked about this--but if

1       you could just touch on and explain to me the differences in  
2       the lead times, that would be helpful.

3                   MR. BARTLETT:  Sure.  So I order a log rack and  
4       import it and bring it into my warehouse.  And then I, in  
5       turn, sell it to either distributors or direct end-users,  
6       and one of our main focuses is that we can deliver the racks  
7       in one to two weeks.  I think it's common industry knowledge  
8       that the domestic producers are ten to fourteen week lead  
9       times and they fluctuate.  I mean we've seen as far as  
10      twenty weeks.  We've seen, you know, I don't really see  
11      below eight weeks, even though they state they are, I  
12      haven't seen that very often.

13                   MS. MCNAMARA:  And so do you find that most of  
14      your purchases are done on a quick turnaround basis like  
15      that?

16                   MR. BARTLETT:  Yeah.

17                   MS. MCNAMARA:  So companies are very quickly  
18      building out these big warehouse structures?

19                   MR. BARTLETT:  Yeah, in most of our customers  
20      are the smaller to middle-size warehouses.  The larger  
21      Amazons and Home Depots and Lowe's, which they're building,  
22      you know, million square-foot buildings, that's not any type  
23      of customer that we are servicing.

24                   MS. MCNAMARA:  So you tend more towards the --

25                   MR. BARTLETT:  Smaller to medium size, yeah.

1 Customers that need it, you know, soon as possible. They  
2 just signed a lease on a building and forgot that they  
3 needed racks or didn't plan three months in advance to wait  
4 for racks. That's a good majority of our customers.

5 MS. MCNAMARA: About how much would you say have  
6 this quick lead time?

7 MR. BARTLETT: In the 90%.

8 MS. MCNAMARA: 90%?

9 MR. BARTLETT: Yeah.

10 MS. MCNAMARA: And we've heard a lot about kind  
11 of the boom in demand for these Amazon-type things. So are  
12 you saying that you didn't participate in that growth in  
13 demand?

14 MR. BARTLETT: Say that again? I'm sorry.

15 MS. MCNAMARA: Well, we've heard that there's  
16 been this big boom in demand for these types of products  
17 tied largely to the idea that these big warehouses like  
18 Amazon are selling this -- you know, they're selling --  
19 there's less retail, there's less brick and mortar, and  
20 there's these big things that go through online. So they  
21 have these massive warehouses. And that's been described  
22 kind of what's been driving the boom in demand.

23 MR. BARTLETT: Correct.

24 MS. MCNAMARA: So I would say, first of all, do  
25 you agree with that? Do you agree?

1 MR. BARTLETT: Completely.

2 MS. MCNAMARA: You do?

3 MR. BARTLETT: Yes.

4 MS. MCNAMARA: And so, but if you are not  
5 servicing that boom in demand, how does that --

6 MR. BARTLETT: Their focus then becomes those  
7 eCommerce type of larger projects which, you know, they now  
8 have less focus on the smaller and medium-sized projects  
9 where their business is focused on the direct larger  
10 projects in my opinion. And then that leaves a hole for us  
11 to be able to fill with the smaller to medium-sized projects  
12 that need it faster. You know, if they book an Amazon  
13 project that's a million square feet, their lead times all  
14 of a sudden are twenty weeks out. So that's a big advantage  
15 for us.

16 MS. MCNAMARA: Okay. What--and I realize that  
17 this is probably kind of a difficult thing to estimate,  
18 especially if you're focused on kind of the smaller -- but  
19 do you have any idea of kind of the percentage of what might  
20 be these big, growing eCommerce kind of purchasers versus  
21 the smaller -- do you have any sense in the market kind of  
22 how they might -- percentage-wise?

23 MR. BARTLETT: That's a really hard question.

24 MS. MCNAMARA: Yeah, no, I believe you.

25 MR. BARTLETT: I'm gonna guess 50/50.

1 MS. MCNAMARA: Okay.

2 MR. BARTLETT: I think 50% of them are the  
3 larger companies that are taking the time to plan it out  
4 and, you know, are doing the larger projects, and I'd say  
5 50% of the time it's a smaller project or a medium-sized  
6 project.

7 MS. MCNAMARA: Okay. Do you know if other  
8 importers are meeting and serving kind of these larger  
9 eCommerce type companies?

10 MR. BARTLETT: To my knowledge, they're not.  
11 They're doing a similar business model that we are doing.  
12 Smaller to medium-sized projects.

13 MS. MCNAMARA: Okay. So --

14 MR. BARTLETT: The selling out of the inventory.

15 MS. MCNAMARA: So the small to medium -- so from  
16 what you understand and your understanding of the market and  
17 the way that imports work--and tell me if I'm wrong, 'cuz I  
18 just wanna make sure I'm understanding--the imports  
19 primarily serve the smaller to medium companies that need  
20 kind of a quick turnaround.

21 MR. BARTLETT: Right.

22 MS. MCNAMARA: And that, so that's kind of where  
23 your focus is, and where the imports' focus is?

24 MR. BARTLETT: Correct.

25 MS. MCNAMARA: But if the boom and if this

1 growth in demand is in the eCommerce people, why are imports  
2 going up?

3 MR. BARTLETT: So the, like I said, the domestic  
4 producers are now focused on the boom that's happening in  
5 the larger projects and that is leaving the smaller to  
6 medium-sized projects, you know, their capacity to be able  
7 to hit all of it then focuses on the larger projects rather  
8 than the smaller projects, in my opinion. So their focus is  
9 on the larger projects rather than a small project. They  
10 would much rather have a larger order than a smaller order.

11 MS. MCNAMARA: And that aspect with these  
12 larger, kind of eCommerce, the lead time is, I guess, less  
13 important, because they --

14 MR. BARTLETT: Correct.

15 MS. MCNAMARA: -- would be planning it out. I  
16 would just ask then, and I think this probably goes to  
17 counsel. If you can--and I realize that we might need to  
18 kind of back this out a little bit, and we can address that,  
19 but if we're looking at market share and if they're focused  
20 on a part of the market that's not participating in this  
21 kind of boom, then how are they gaining market share? And I  
22 realize that we might have to backtrack a little bit, but I  
23 think that's something that I'm kind of confused about, if  
24 the boom is in eCommerce --

25 MR. BARTLETT: Not all companies -- I mean

1 smaller and medium-sized companies are also concentrated on  
2 eCommerce as well, so not just the Amazons are doing the  
3 eCommerce. There is small or medium-sized projects that are  
4 being built to support eCommerce. It's not all just Amazon  
5 and Home Depot and Walmart that are building eCommerce  
6 million-square-foot DCs, you know?

7 MS. MCNAMARA: Right.

8 MR. BARTLETT: You can build a 50,000  
9 square-foot warehouse and have it be just for eCommerce  
10 fulfillment.

11 MS. MCNAMARA: Okay, so the small companies are  
12 also doing --

13 MR. BARTLETT: Correct.

14 MS. MCNAMARA: -- this kind of massive  
15 production of --

16 MR. BARTLETT: Correct.

17 MS. MCNAMARA: -- eCommerce stuff? Okay.

18 MR. BARTLETT: Yeah.

19 MS. MCNAMARA: I think that let's kind of use  
20 that to segue into kind of the, how we figure out volume and  
21 market share and all of that, and what do you think we  
22 should use in terms of calculating the volume of the market  
23 and imports and what's going on?

24 MR. MENEGAZ: First of all, from what we've seen  
25 of the imports, although they're increasing their absolute



1 numbers, it's very, very small compared to the domestic  
2 shipments that were reported. Now, we haven't actually  
3 looked -- we haven't had the time to look carefully enough  
4 to see if, you know, the two major U.S. producers have even  
5 been included in that data. I don't honestly know whether  
6 they've responded to questionnaires or whether they've  
7 gotten questionnaires.

8                   So the U.S. shipments might be understated. But  
9 we do have the import data from the importer questionnaires  
10 which we think is comprehensive and reliable and  
11 demonstrates that the Chinese imports are a very small  
12 percentage of this market, even if they're increasing. And  
13 so that's gonna be the basis of our market share argument,  
14 that their market share has remained small.

15                   MS. MCNAMARA: Small, but gaining market share?

16                   MR. MENEGAZ: Well, we do have to do the  
17 analysis, and we'll have to include that in our  
18 post-conference brief.

19                   MS. MCNAMARA: And so you're arguing that we  
20 should rely on the questionnaire data?

21                   MR. MENEGAZ: Absolutely.

22                   MS. MCNAMARA: And do you think that there's  
23 sufficient coverage?

24                   MR. MENEGAZ: Yes, we do. Because we -- you  
25 know, you can ask my client who the major exporters are and

1 I think you'll find out that they've already answered the  
2 questionnaire and you have made your importers that have  
3 answered the questionnaire, and I think you have very  
4 substantial coverage, which is normally the coverage that  
5 you accept. And in a very similar case on wire decks, the  
6 same thing happened where the petitioners tried to rely on  
7 basket categories and estimates and the ITC rejected them  
8 and relied on the importer questionnaires in the final  
9 results.

10 MS. MCNAMARA: Okay. If you could really spell  
11 out exactly who the major importers are and how they've done  
12 the -- I know we asked that of petitioners to kind of make  
13 sure that we understand the coverage, but if you could  
14 really spell that out in your post-conference, that would be  
15 helpful.

16 When you're importing, are you importing under  
17 the HTS category that they are basing their kind of market  
18 calculation in their import calculation from, or is that  
19 what you're importing under?

20 MR. BARTLETT: No. Not the one particular that  
21 they used for the weight calculation that they did, yeah.

22 MS. MCNAMARA: So you don't import through that  
23 50 -- what they're relying on --

24 MR. BARTLETT: No.

25 MS. MCNAMARA: So what do you import through?

1                   MR. BARTLETT: I don't really have the number  
2 off the top of my head, but it's something we've supplied on  
3 our, the importer questionnaire.

4                   MS. MCNAMARA: And I understand you don't have  
5 the number off the top of your head, but can you let me  
6 know, is it a basket category? Is it --

7                   MR. BARTLETT: It is a basket category.  
8 Unfortunately, there's no specific category for the -- it  
9 would make our lives easier.

10                  MS. MCNAMARA: And do you know whether that is  
11 what most of the other importers are using? Do you know  
12 even?

13                  MR. BARTLETT: I don't really know, yeah.

14                  MS. MCNAMARA: Do you have any sense of how much  
15 this type of product would be coming in in that basket  
16 category?

17                  MR. BARTLETT: No, I don't. Not under the ones  
18 that they've particularly chosen.

19                  MS. MCNAMARA: But what about the one that you  
20 use?

21                  MR. BARTLETT: I don't know. I really -- I  
22 don't even know what the other people are using.

23                  MS. MCNAMARA: So I'm gonna go back, and I  
24 apologize. I'm kind of bouncing around here. So when we  
25 talked about the factors that go in, we talked about

1 quality, we talked about lead time, meeting to specs. Is  
2 there any difference between imports and the domestic  
3 product?

4 MR. BARTLETT: No, the specs are pretty much --  
5 I mean there's a little bit of variance, but the RMI pretty  
6 much states what's required, so that is pretty much what  
7 everybody imports to those specifications.

8 MS. MCNAMARA: So then that leaves us with  
9 price. So how do they compare in terms of price?

10 MR. BARTLETT: That's something we can follow up  
11 in our post-conference brief.

12 MS. MCNAMARA: Yeah, if you could do that, that  
13 would be great. Anything else? Any other purchasing  
14 factors? Anything that limits interchangeability? Or  
15 anything different?

16 MR. BARTLETT: No, I mean quality, specs, price  
17 and, you know, lead time and availability. Those are the  
18 four main things for purchasing, I mean, for anything.

19 MS. MCNAMARA: And so from your perspective, the  
20 main differences are the lead time and then possibly the  
21 price.

22 MR. BARTLETT: Yeah, and that's an advantage  
23 that we definitely have, is the lead time capability.

24 MR. MENEGAZ: But Mr. Bartlett also mentioned  
25 that he's a turnkey operation, that when you come to him,

1       you're getting quality assurance from the purchase to the  
2       installation. So that's another factor. That he's  
3       providing the entire service from the goods to the  
4       installation. Which the petitioners said this morning, they  
5       don't do the installation. They don't do the assembly.

6               MS. MCNAMARA: Okay. So is that something that  
7       is highly valued in the market? The installation?

8               MR. BARTLETT: It's something required to be  
9       able to -- to have the customers to use it, it's gotta be  
10      put up and installed. I think it's just an advantage that  
11      we have over all of our competition.

12              MS. MCNAMARA: Over all of your competition?

13              MR. BARTLETT: Yes.

14              MS. MCNAMARA: So that's not something that  
15      necessarily --

16              MR. BARTLETT: No, normally, other companies sub  
17      it out to a company that just does labor.

18              MS. MCNAMARA: Okay. So in terms of --

19              MR. BARTLETT: I have my own employees putting  
20      up the racks for the most part. And other racking companies  
21      typically will sub it out to an installation labor company  
22      only.

23              MS. MCNAMARA: So that type of competitive  
24      advantage is unique to your company?

25              MR. BARTLETT: Correct.

1 MS. MCNAMARA: Do you agree that the domestic  
2 industry could supply the entire market?

3 MR. BARTLETT: I mean I'm sure they would love  
4 to, right?

5 MS. MCNAMARA: Well, if that, if you think they  
6 would --

7 MR. BARTLETT: If you took China and Mexico out,  
8 no I don't think that they could.

9 MS. MCNAMARA: And why not?

10 MR. BARTLETT: Because I think that the Mexican  
11 capacity and a lot that comes across from Mexico is too  
12 large of an amount for them to take on, especially  
13 overnight. I mean I'm sure that they could eventually build  
14 their factories to take on that capacity, but it's not  
15 something that they could do in the short term, in my  
16 opinion.

17 MS. McNAMARA: Okay, so I'm sorry. I think I  
18 was confused. I thought you said if you take China and  
19 Mexico out, they couldn't. But you're saying if they --

20 MR. BARTLETT: If you gave them ten years to  
21 build a capacity, they probably could.

22 MS. McNAMARA: Okay. So you don't think they  
23 currently have any?

24 MR. BARTLETT: No, they don't currently have  
25 that capacity, in my opinion.

1 MS. McNAMARA: Okay. So is -- and you've been  
2 talking about non-subject imports from Mexico. How do they  
3 compare product-wise? Is everything interchangeable  
4 regardless of where it comes from?

5 MR. BARTLETT: Pretty much, yeah.

6 MS. McNAMARA: And they're used  
7 interchangeably even in the same shelving systems?

8 MR. BARTLETT: Yeah. I mean some you can't.  
9 But I would say 80 percent is interchangeable.

10 MS. McNAMARA: And when you say some you  
11 can't, you're talking about 20 percent. What would limit  
12 that interchangeability?

13 MR. BARTLETT: Different tolerances. So if  
14 somebody makes an eight foot beam it's not an eight foot  
15 beam. It may be, you know, eight foot and one-eighth or it  
16 may be 72 inch and 3-8ths or something. So it can grow as  
17 far as if you were to put a whole bunch of bays together.  
18 Some people's connectors, which is what goes into the frame,  
19 don't sit down all the way on the teardrop, which would  
20 allow the beam to pop out. But that's very -- the  
21 interchangeability of stuff like that is very small. For  
22 the most part it's interchangeable.

23 MS. McNAMARA: And so it's not something that  
24 certain people produce certain things or certain companies,  
25 certain countries, excuse me, subject countries produce

1 subject and non-subject certain things. It's if an  
2 individual manufacturer makes a beam that, for whatever  
3 reason, doesn't fit on this beam. But is that something  
4 that everybody could make or everybody does make? It may  
5 just be that that particular beam in that particular  
6 context doesn't fit?

7 MR. BARTLETT: No. Typically, they have the  
8 same manufacturing process. So it would be consistent. So  
9 Mecalux, you know like Mecalux, if they make their beam it  
10 may not fit into one of the Petitioners' racks, based upon  
11 how it sits with the connectors on the frame.

12 MS. McNAMARA: But you said that's a very  
13 small part?

14 MR. BARTLETT: It is small. It is a small  
15 percentage.

16 MS. McNAMARA: Sorry, for the large majority,  
17 it's everything just walks in and out. With respect to the  
18 imports from Mexico, is that something that you're competing  
19 with also? Is that --

20 MR. BARTLETT: Yeah. We're all competing with  
21 that as well.

22 MS. McNAMARA: And how do they -- how do they  
23 compare price-wise, and if you want to address this in your  
24 post-conference you can. But Petitioners earlier said that  
25 they -- that the non-subjects are generally priced higher.



1 Is that your experience?

2 MR. BARTLETT: I don't think that's accurate,  
3 no.

4 MS. McNAMARA: How would -- are they priced  
5 lower?

6 MR. BARTLETT: Yeah.

7 MS. McNAMARA: So the non-subjects in your  
8 experience are generally priced lower --

9 MR. BARTLETT: Than the domestic, yes.

10 MS. McNAMARA: And what's that based on? Is  
11 that --

12 MR. BARTLETT: I think there's a bunch of  
13 factors. I think, you know, I think that one of the  
14 Petitioners said he had done -- that there was not very  
15 much racking coming from Mexico, that he wasn't aware.  
16 There's a plant in Tijuana which is about 250 miles from  
17 where his plant is, and the same one is in Mexico near his  
18 Houston plant.

19 A lot of the goods comes across the border and  
20 is sold pretty well through California and Texas and I think  
21 that they obviously are producing there and bringing it  
22 across, because they have a cost advantage.

23 MS. McNAMARA: And I'm sorry. I don't think I  
24 was -- I was not clear. What are you basing your statement  
25 that with your -- as your personal knowledge? Do you have

1 -- are you going out and bidding and seeing what Mexico  
2 prices are?

3 MR. BARTLETT: Yeah, correct.

4 MS. McNAMARA: So can you explain a little bit  
5 how that process works, the bidding process? Is that  
6 something that typically happens, where multiple countries  
7 are --

8 MR. BARTLETT: I don't think it's typically  
9 done by the countries. It's typically done by the company.  
10 So if there's a customer and they'll go three racking  
11 companies, whether they're da distributor or manufacturing,  
12 get a price. You know, you do a layout for the warehouse  
13 and try and give them the best and most efficient layout.

14 You go get engineering done, which tells us  
15 what gauge steels to use and what things are required for  
16 permitting, and then we in turn take that information and  
17 present it to the customer with a quote. Each individual  
18 company that's quoting that project has to do that, and  
19 that's typically, you know, it comes down to relationship,  
20 availability, so lead times. Price is a factor, and if they  
21 can trust you to get the project done on their time frame  
22 that they need.

23 MS. McNAMARA: But so do -- in that process,  
24 do they come to you? Because if I understand, that's what  
25 you're basing your statement that the Mexican product is

1 coming in at a lower price based on these negotiations; is  
2 that correct? I just want to make sure --

3 MR. BARTLETT: Based -- I'm not sure. What  
4 negotiations, yeah?

5 MS. McNAMARA: Well, I'm asking -- I'm just  
6 trying to get a sense as to --

7 MR. BARTLETT: I think that they're  
8 competitively priced in the market to be able to sell their  
9 products, just as we are and it's just as the domestic  
10 producers are.

11 MS. McNAMARA: Okay, and what are you basing  
12 that on with respect to Mexico, because you don't even --

13 MR. BARTLETT: I guess industry knowledge, I  
14 guess.

15 MS. McNAMARA: It's industry knowledge?

16 MR. BARTLETT: Yeah.

17 MS. McNAMARA: And is that just word of mouth?  
18 Is it something that's happening in negotiations that you're  
19 kind of getting some transparency as to what's being priced  
20 how?

21 MR. BARTLETT: Sure, both. I would say both.  
22 Even seeing their pricing and being able to compare that.

23 MS. McNAMARA: And do you have any examples or  
24 information that you can provide further on how that works  
25 in that process, and how you're kind of becoming aware of

1 what the other prices are, that would be helpful.

2 MR. BARTLETT: Sure. Yeah, we can include  
3 that.

4 MS. McNAMARA: The other thing, do you -- so  
5 it sounds like if you're selling kind of with quick  
6 turnaround lead times, that you're selling on the spot  
7 market as opposed to contract, do you sell anything via  
8 contract?

9 MR. BARTLETT: No.

10 MS. McNAMARA: Do you know whether other  
11 importers do or if that --

12 MR. BARTLETT: Not that I'm aware of, no.  
13 When you say contract, you're talking over like a length of  
14 time like they were referring to, as far as like with Lowe's  
15 and Home Depot, where they will do a contract for a year?

16 MS. McNAMARA: Right.

17 MR. BARTLETT: Yeah. No, not that I'm -- we  
18 don't do that and none of the importers that I'm aware of do  
19 that.

20 MS. McNAMARA: Okay. So from your  
21 perspective, the domestic industry is selling mainly to kind  
22 of large e-commerce, the Lowe's, that type of --

23 MR. BARTLETT: Larger retailers and larger  
24 projects, yeah.

25 MS. McNAMARA: And larger projects. And you

1 -- as far as you know, other importers focus on the smaller  
2 jobs?

3 MR. BARTLETT: Right. It doesn't fit within  
4 our business model.

5 MS. McNAMARA: Do you have the ability to  
6 service those kind of bigger companies? Is it just a volume  
7 thing or why wouldn't you be working with those bigger  
8 companies?

9 MR. BARTLETT: Capacity. I think our lead  
10 times. If we had to make it from the factory direct and  
11 send it to the job site, it wouldn't really -- it would  
12 probably match the lead times of the domestic producers. So  
13 I think that there is a comfortability that the larger  
14 companies have with the domestic relationships. And I don't  
15 -- I think there's -- we don't have the capacity for it,  
16 because that's not our focus.

17 MS. McNAMARA: And you mentioned that you have  
18 a relationship with one producer in China?

19 MR. BARTLETT: Yeah.

20 MS. McNAMARA: So if you could -- if there is  
21 any information you can provide us with respect to the  
22 market in China and what's going on there, that would be  
23 helpful too.

24 MR. BARTLETT: Sure.

25 MS. McNAMARA: And also if you can, if counsel

1 can address the Commission -- what the Commission typically  
2 looks at for threat, that would be helpful as well. That is  
3 -- that's all I have. Thank you very much for your time.

4 MR. CORKRAN: Thank you, Ms. McNamara. Now  
5 we'll turn to Mr. Ruder.

6 MR. RUDER: Good afternoon. Thank you for  
7 sharing information with us. I don't have any additional  
8 questions.

9 MR. CORKRAN: Thank you, Mr. Ruder. Now we'll  
10 turn to Mr. Tsuji.

11 MR. TSUJI: Thank you Mr. Corkran. I just  
12 have two requests of these panel members. Much like for  
13 this morning, first of all, the Commission would like  
14 permission to reproduce the images on your respective  
15 Internet websites showing the imported steel racks.

16 MR. BARTLETT: Yeah, no problem.

17 MR. TSUJI: Thank you, and then second, this  
18 would be more for the counsel for the Respondents today.  
19 That is, can you also, much like I asked of the counsel for  
20 Petitioners, to please provide in your post-hearing brief  
21 the -- what's called the harmonized system, six-digit  
22 subheadings that will be suitable for the Commission's  
23 analysis of third country exports of steel racks.

24 Of course, they're going to be in basket  
25 categories, so hence we're reaching out to both sets of

1 parties for their input about what would be the suitable HS  
2 six-digit subheadings that we should consider. Okay, thank  
3 you very much. No further questions, Mr. Corkran.

4 MR. CORKRAN: Thank you very much, and with  
5 that we'll turn to Ms. Haines.

6 MS. HAINES: I have no questions. Thank you  
7 very much for the testimony.

8 MR. CORKRAN: Thank you. I have a question  
9 that follows on some line of questioning that Shister had.  
10 In terms of imports from other competition with imports from  
11 other importers, are you aware of importers bringing product  
12 into other areas of the United States?

13 Mr. Bartlett, you had mentioned that your  
14 focus was on I believe the west and the southwest. What is  
15 your awareness of other parts of other regions of the  
16 country, and what sort of import competition there is there?

17 MR. BARTLETT: Yeah. I believe that the  
18 imports are done throughout the country by different  
19 importers. It is -- it does add cost to be able to -- the  
20 west coast is closer to Asia than -- or to China than the  
21 east coast is. But I do know that, and I'm aware that  
22 imports are pretty much throughout the country that I'm  
23 aware of.

24 MR. CORKRAN: Thank you very much, and you had  
25 mentioned product from Mexico being very prevalent as well.

1 I've seen some cases where that can be somewhat  
2 geographically concentrated. To the extent that you know,  
3 what is your experience with those imports? Are they  
4 geographically concentrated, or are they dispersed  
5 throughout the United States?

6 MR. BARTLETT: That particular company has  
7 factories in two places in Mexico that kind of services the  
8 Southwest and middle of the country, and then they actually  
9 have plants in the U.S. that service kind of the northeast  
10 and midwest part of the country.

11 MR. CORKRAN: So in your day-to-day business,  
12 are you running up against them in the southwest?

13 MR. BARTLETT: Yes, very much so.

14 MR. CORKRAN: Yeah. We've heard a lot about  
15 in general this product today, but I'm wondering if there's  
16 anything else that we can -- any of the details that we can  
17 have about these consumer storage racks. Are they -- are  
18 they being brought in by a large number of companies? Is  
19 your company one of the very few bringing them in? Are they  
20 geographically concentrated? Are they geographically  
21 dispersed? What else can you tell us about these consumer  
22 products?

23 MR. HANLON: This is Jared with JS Products.  
24 We understand that there are primarily three players in the  
25 U.S. that sell into our market, our channel, Edsel, Waylon



1 and JS Products. As far as the breakup of the U.S. versus  
2 -- or domestic and an import program, we'd have to deal with  
3 that after the fact, to give you a little bit more  
4 information. But primarily there are really only three  
5 players involved in our consumer grade racks.

6 MR. CORKRAN: Thank you very much. I believe,  
7 as far as I'm concerned, that takes care of my questions.  
8 Let me turn to my colleagues to see if there are any final  
9 questions? Yes, Ms. Shister.

10 MS. SHISTER: Thank you very much. Just a  
11 couple of follow-up questions. So Mr. Bartlett, you  
12 commented that there are importers selling throughout the  
13 country. Are they all located, just sort of around the  
14 country, or are they all pretty concentrated, and basically  
15 are they all bringing it into sort of LA or Houston or --

16 MR. BARTLETT: I would say they're probably  
17 -- they're located near the ports obviously, for easier  
18 access and for freight. But I don't know exactly where all  
19 of them are.

20 MS. SHISTER: Thank you. Do the -- so I  
21 understand that you don't import from Mexico. You only  
22 import from China; is that correct?

23 MR. BARTLETT: That's correct.

24 MS. SHISTER: Are you aware if sort of the  
25 single country focus is the same from other importers of

1 steel racks, or do they import from a range of countries?

2 MR. BARTLETT: I don't, I'm not familiar with  
3 that actually. I think that the importers -- yeah, I don't  
4 know.

5 MS. SHISTER: Uh-huh, thank you. And then  
6 this is for counsel. I know that you have commented that we  
7 should be relying on questionnaire data. Would you say that  
8 we should be using average unit values or prices, in terms  
9 of looking at some of the value data?

10 MR. MENEGAZ: I think we're going to have to  
11 address that in the post-conference, because we're just kind  
12 of digging into the data now.

13 MS. SHISTER: All right, thank you. And  
14 that's all I have.

15 MR. CORKRAN: Thank you very much. Any other  
16 questions?

17 (No response.)

18 MR. CORKRAN: No? With that, I'd like to  
19 thank this afternoon's panel very much. We really  
20 appreciate your testimony. It's been very helpful. It's  
21 given us a lot to think about and it's helped round out the  
22 record in this case. We appreciate it. We'll take just a  
23 couple of minutes to prepare for closing statements and then  
24 proceed. Thank you very much.

25 (Whereupon, a short recess was taken, to

1 reconvene this same day.)

2 MR. CORKRAN: Mr. Secretary, are there any  
3 matters before we begin?

4 MR. BURCH: Mr. Chairman, there are no  
5 preliminary matters. Closing remarks in support of  
6 imposition will be given by Elizabeth J. Drake of Schagrin  
7 Associates. Ms. Drake, you have ten minutes.

8 CLOSING STATEMENT OF ELIZABETH DRAKE

9 MS. DRAKE: Thank you. Elizabeth Drake of  
10 Schagrin Associates for the Petitioner. First, I want to  
11 thank Mr. Corkran and the Commission staff for all their  
12 time and attention today, and for all of their work so far  
13 on these Petitioners. We really appreciate it, because  
14 these cases are very important to the Petitioner.

15 I'm not going to address the domestic like  
16 product argument that was made, because I believe it is  
17 mostly a scope issue that can addressed at Commerce if  
18 needed. Turning to some of the arguments that were made  
19 against us, there was a lot of allegations that made it  
20 seems that our petition was a nefarious plot with no factual  
21 basis whatsoever.

22 First of all, there was the allegation that we  
23 purposely excluded Interlake and Frazier from the domestic  
24 industry. Exhibit I-1 to the petition, which is the first  
25 exhibit on the third page, the list of domestic producers,

1 lists Frazier Industrial Company and Interlake Mecalux. So  
2 simply no merit whatsoever to that allegation.

3 The same counsel made allegations on Monday  
4 evening that we had excluded numerous producers from the  
5 domestic industry for standing purposes at Commerce,  
6 identifying about eight producers of rack decking which was  
7 excluded from the scope. So again, we had to spend time to  
8 respond to that, simply not looking at the underlying data  
9 that they themselves were referring to.

10 A second allegation was made that we had a  
11 false estimate of imports or a deliberate false estimate.  
12 Obviously, these are basket categories. We did the best we  
13 could and far from ignoring the RMI data that was available  
14 to us, we actually tried to correlate that to check the  
15 reasonableness of our estimate. That was in a follow-up  
16 submission to Commerce. That was also submitted here to the  
17 Commission.

18 There's also an allegation that we tried to  
19 gerrymander the pricing products to create some kind of  
20 false appearance of underselling. We heard sworn testimony  
21 from all of our witnesses about the deep under-selling that  
22 they're facing in the market from Chinese imports, and we  
23 had documented evidence of under-selling that was  
24 confidential. That was the basis for our pricing products,  
25 and we'd be happy to talk about that more post-conference.

1                   There was also the allegation that our  
2 industry is extremely profitable. It's a 30 percent return  
3 based on a press release of one company about its historical  
4 performance over many years. Counsel could have looked at  
5 the actual questionnaire responses and seen the level of  
6 profitability that our industry is currently operating at.  
7 So in short, the claims that there was nothing factual in  
8 our petition, that it was merely based on opinions is simply  
9 false.

10                   There is all the factual information that was  
11 reasonably available to us was in our petitions, and now the  
12 Commission has issued questionnaires and gathered data, and  
13 we believe all of that data will fully support the  
14 allegations that are in the petition, and will fully support  
15 an affirmative material injury determination.

16                   In fact, once we got past the prepared  
17 testimony, which was full of accusations when we got to  
18 questions and answers, we found out that the Respondents  
19 largely agree with us on a lot of facts that underlie this  
20 investigation. They don't contest the domestic like  
21 product. They agree that demand is up. They agree that the  
22 domestic product and imports are largely interchangeable,  
23 in fact almost identical.

24                   They themselves have in their brochures  
25 advertised the fact that they have the R mark, that they're

1 members of RMI, that their product is interchangeable with  
2 domestic product, that it meets seismic specifications,  
3 etcetera. They agree that most of their product is the  
4 standard commodity product that represents 75 percent of the  
5 market.

6           They agree that they too can make to order for  
7 a custom project. It's only a question of the sizes  
8 available. They confirm that they import both roll form and  
9 structural, at least in the cantilevered form. They  
10 confirmed that domestic and imported product are available  
11 in the same channels. UMH itself handles both domestic  
12 product and subject imports.

13           They agree that domestic and imported product  
14 are made to the same specs, can be used interchangeably, and  
15 they confirm that they are able to provide engineering and  
16 other services just like domestic producers can to their  
17 clients. They sought to differentiate their product from  
18 domestic product on a few bases.

19           First, that they had more colors available,  
20 but then they agreed that the differences in coatings did  
21 not affect price. They also tried to distinguish their  
22 product based on lead times. This was a somewhat confusing  
23 argument for me to say that a customer would prefer an  
24 import from China because of the shorter lead time than the  
25 nine and more domestic producers placed around the country.

1                   This argument simply has no merit. Yes, UMH  
2                   has large warehouses and large inventories. That's behind  
3                   their large increase in volume. But our witnesses testified  
4                   that their distributors also have quick ship programs, and  
5                   some of their domestic producers have their own quick ship  
6                   programs and hold product inventory. So again, no  
7                   difference between the domestic product and the imported  
8                   product in terms of the ability to ship quickly from  
9                   inventory.

10                   They confirmed that for a custom job, they  
11                   would have to go to the factory in China, and that would  
12                   lead to additional lead times. Of course, that would be the  
13                   same for a custom job supplied by a domestic manufacturer.  
14                   The idea that this -- it's an important part of the market  
15                   to have a quick lead time just defies common sense when one  
16                   thinks about building a new warehouse, getting the permit  
17                   for the warehouse.

18                   That's not something that happens in one to  
19                   two weeks. I believe that most firms that were involved in  
20                   that project would be ordering the rack, thinking about the  
21                   rack that's going in there ahead of time, not the last two  
22                   weeks after they've been through a multi-month process.

23                   They confirmed that they compete head to head  
24                   with domestic producers. They confirmed that their business  
25                   model is to have a lot of inventory so they can get

1 customers. This is just confirming what we have seen in the  
2 market in terms of domestic industry losing market share to  
3 large volumes of subject imports that are competing for the  
4 same customers.

5 They confirmed that price is an important  
6 factor in the market, and that it is an obvious factor for  
7 sure. This of course flows from the fact that the domestic  
8 and imported product are highly interchangeable. With  
9 volume, Mr. Menegaz this morning asserted that there was a  
10 steady import volume. This afternoon, he conceded that  
11 there was some increase in imports based on the  
12 questionnaire data. We believe that any source of data the  
13 Commission looks at will confirm there has been a massive  
14 increase in subject imports, and we think that it's just the  
15 scale of the volume that will differ depending on the source  
16 one looks at.

17 We've provided a very long list of importers  
18 from data that was publicly available to us. The Commission  
19 has done a commendable job of sending out questionnaires to  
20 many of those importers. Not very many have responded, and  
21 we will do our best post-conference to help identify or  
22 follow-up with staff, help identify additional importers  
23 that we think are the most important to focus on, to get  
24 more comprehensive coverage.

25 But as Mr. Schagrin noted, to reward the



1 import community for a lack of cooperation by finding  
2 artificially low import volumes would frustrate the ability  
3 of this Commission to conduct investigations with integrity  
4 going forward. So we hope that the Commission will not do  
5 that.

6 Finally, with regard to injury. We think the  
7 record is clear and none of this was really contradicted by  
8 Respondents. In a period of strongly rising demand, the  
9 domestic industry lagged far behind, and that is precisely  
10 the period they need to make their best returns, so that  
11 they can be prepared for the inevitable downturn, the  
12 inevitable recession, the inevitable flattening out of  
13 demand.

14 Unfortunately, though the domestic industry  
15 tried to prepare for that forecast in rising demand by  
16 investing in additional facilities and investing in  
17 additional equipment and capacity, their profits did not  
18 increase even though demand was increasing. In fact,  
19 towards the end of the period as raw material costs went up,  
20 their profit margins started to go down. This is now coming  
21 at the worse possible time for the domestic industry,  
22 facing continued raw material cost increases going forward.

23 Therefore, they have not been able to make the  
24 returns on the investments that they have made. They've had  
25 declining capacity utilization in a period of rising demand,

1 which is very difficult for them to maintain. If their  
2 operating income continues to go down, they face a huge  
3 threat going forward because they have so little control  
4 over their raw material costs, which are such a huge  
5 component of their overall costs.

6 As our witness testified, they have a very  
7 thin margin between steel costs and cost of production of  
8 raw, and that their revenue -- if those costs continue to go  
9 up and revenue continues to be pushed down by unfair Chinese  
10 import competition, by dumped and subsidized imports that  
11 are benefitting from huge over-capacity in China that's now  
12 locked out of markets in the flat-rolled form, but now  
13 coming in in further downstream process form, this industry  
14 is threatened with very serious injury in the imminent  
15 future in addition to the material injury they have already  
16 suffered. Thank you.

17 MR. CORKRAN: Thank you very much.

18 MR. BURCH: And closing and rebuttal remarks  
19 on behalf of, in opposition to imposition will be given by  
20 Gregory S. Menegaz of DeKieffer Horgan. Mr. Menegaz, you  
21 have ten minutes.

22 CLOSING STATEMENT OF GREGORY S. MENEGAZ

23 MR. MENEGAZ: Thank you. I'll be a lot more  
24 brief than that. Again, I appreciate the staff's diligent  
25 and insightful questions this afternoon. We think that the

1 record is complete. We think that the import questionnaires  
2 are reliable, and they prove that the import volumes are  
3 insignificant, irrespective of all the other arguments that  
4 were made today.

5 So we think that that is basis to return a no  
6 injury and no threat decision by this Commission, and you  
7 know, we'll obviously get into all the issues that were  
8 raised by the Petitioners after we get a chance to look at  
9 the confidential data. But I think that's a fundamental  
10 important point that I want to leave the Commission with  
11 today.

12 With that, I'm not going to address the like  
13 product arguments, because they were made by other counsel.  
14 But I think that's sufficient, and you know, we'll look  
15 forward to giving a full post-conference brief early next  
16 week. Thank you very much.

17 MR. CORKRAN: Thank you very much. On behalf  
18 of the Commission, the staff would like to thank the  
19 witnesses who came here today and counsel for helping us to  
20 gain a better understanding of the product and the  
21 conditions of competition in the steel racks industry.

22 Before concluding, please let me mention a few  
23 dates to keep in mind. The deadline for submission of  
24 corrections to the transcript and for submission of  
25 post-conference briefs is Monday, July 16th. If briefs

1 contain business proprietary information, a public version  
2 is due on Tuesday, July 17th.

3 The Commission has tentatively scheduled its  
4 vote on these investigations for Friday, August 3rd, and it  
5 will report its determinations to the Secretary of the  
6 Department of Commerce on Monday, August 6th.  
7 Commissioners' opinions will be issued on Monday, August  
8 13th. Thank you all for coming and with that, this  
9 conference is adjourned.

10 (Whereupon, at 2:59 p.m., the meeting was  
11 adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Steel Racks from China

INVESTIGATION NOS.: 701-TA-608 AND 731-TA-1420

HEARING DATE: 7-11-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 7-11-18

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Signature of the Contractor or the  
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice  
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I hereby certify that I reported the above-referenced proceedings 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 proceedings.

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