

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
CERTAIN COLLATED STEEL PLATES
FROM CHINA, KOREA, AND TAIWAN

) Investigation Nos.:
) 701-TA-626 AND 731-TA-1452-1454
) (PRELIMINARY)

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1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2 In the Matter of:) Investigation Nos.:
3 CERTAIN COLLATED STEEL STAPLES) 701-TA-626 and
4 FROM CHINA, KOREA, AND TAIWAN) 731-TA-1452-1454
5) (Preliminary)

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9 Thursday, June 27, 2019
10 Court Room B (Room 111)
11 U.S. International
12 Trade Commission
13 500 E Street, S.W.
14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at
16 9:29 a.m., before the Investigative Staff of the United
17 States International Trade Commission, Nannette Christ
18 presiding.

19 APPEARANCES:

20 On behalf of the International Trade Commission:
21 Staff:

22 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION
23 OFFICER
24 TYRELL T. BURCH, MANAGEMENT ANALYST

25 -- continued --

1 Staff (continued):

2 NANNETTE CHRIST, DIRECTOR OF INVESTIGATIONS

3 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

4 CALVIN CHANG, INVESTIGATOR

5 JESSICA OLIVA, INVESTIGATOR

6 ALLISON THOMPSON, INTERNATIONAL TRADE ANALYST

7 AMIEE LARSEN, INTERNATIONAL ECONOMIST

8 DAVID BOYLAND, ACCOUNTANT/AUDITOR

9 JOHN HENDERSON, ATTORNEY/ADVISOR

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1 EMBASSY APPEARANCE:

2 Taipei Economic and Cultural Representative Office in the

3 United States

4 Washington, DC

5 James, Chih-tang Tsai, Economic Division

6

7 Opening Remarks:

8 In Support of Imposition (Adam H. Gordon, The Bristol Group

9 PLLC)

10 In Opposition to Imposition (Edmund Sim, Appleton Luff Pte

11 Ltd)

12

13 In Support of the Imposition of Antidumping Duty and

14 Countervailing Duty Orders:

15 The Bristol Group PLLC

16 Washington, DC

17 on behalf of

18 Kyocera Senco Industrial Tools, Inc.

19 Joseph Faron, Vice President, North American Field

20 Sales, KYOCERA SENCO Industrial Tools, Inc.

21 Charles Iker, Director, U.S. Manufacturing Operations,

22 KYOCERA SENCO Industrial Tools, Inc.

23 Thomas R. Gold, Vice President, Acme Staple Company

24 Onno Boswinkle, Consultant, Acme Staple Company

25

-- continued --

1 In Support of the Imposition of Antidumping Duty and
2 Countervailing Duty Orders: (Continued)

3 Daniel Klett, Economist, Capital Trade, Inc.

4 Adam H. Gordon, Jennifer M. Smith,

5 Ping Gong - Of Counsel

6

7 In Opposition to the Imposition of Antidumping Duty and
8 Countervailing Duty Orders:

9 Appleton Luff Pte Ltd

10 Washington, DC

11 on behalf of

12 China Staple Enterprise Corporation

13 Sanny Lin, Assistant Manager, China Staple Enterprise
14 Corporation

15 Kelly Slater, Edmund Sim - Of Counsel

16

17 REBUTTAL/CLOSING REMARKS:

18 In Support of Imposition (Adam H. Gordon, The Bristol Group
19 PLLC)

20 In Opposition to Imposition (Edmund Sim, Appleton Luff
21 Pte Ltd)

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9:29 a.m.

MS. CHRIST: Good morning. Welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing duty investigation Nos. 701-TA-626 and 731-TA-1452 to 1454 concerning certain collated steel staples from China, Korea and Taiwan.

My name is Nannette Christ. I am the Director of Investigations and I will preside at this conference. Among those present from the Commission are from my far right Douglas Corkran the Supervisory Investigator, Calvin Chang the Investigator, Jessica Oliva the Investigator, John Henderson the Attorney Advisor, Amiee Larsen the Economist, David Boylan the Accountant Auditor and Alison Thompson the Industry Analyst.

I understand that parties are aware of the time allocations. Any questions regarding time allocations should be addressed to the Secretary. I would remind speakers not to refer in their remarks to business proprietary information and to speak directly into the microphones.

We also ask that you state your name and affiliation for the record before beginning your presentation as well as answering questions for the benefit

1 of the court reporter and those seated in the back of the
2 room. All witnesses must be sworn in before presenting
3 testimony. Are there any questions? Mr. Secretary, are
4 there any preliminary matters?

5 MR. BURCH: Madam Chairman, there are no other
6 preliminary matters. All witnesses have been sworn in.

7 MS. CHRIST: Thank you, Mr. Secretary. Please
8 announce our Embassy Witness.

9 MR. BURCH: On behalf of Tai-Pei and cultural
10 representative office in the United States will be
11 Chih-tang Tsai. Mr. Tsai, you may begin.

12 STATEMENT OF JAMES, CHIH-Tang TSAI

13 MR. TSAI: Good morning. My name is James
14 Chih-tang Tsai. I'm here to represent the Tai-Pei Economic
15 and Cultural and Representative Office in the United States.
16 On behalf of the government of Taiwan I would like to thank
17 you for the opportunity to make this statement regarding the
18 antidumping investigation against collated staples from
19 Taiwan and other countries.

20 Taiwan is deeply concerned about the possible
21 imposition of antidumping duties on collated steel staples
22 from Taiwan and would like to make the following four
23 points. The first point is Taiwanese imports are negligible
24 and thus should be excluded from the investigations.

25 First, pursuant to article 5.8 of the WTO

1 antidumping agreement the authority shall immediately
2 terminate cases where it is determined that the dumped
3 import is diminished or injury is negligible. The volume of
4 dumped imports shall be regarded as negligible if the
5 imports from a particular country is less than 3 percent.

6 As stated in the Petition, the imports from
7 Taiwan accounted for only 2.9 percent of total import during
8 April 2018 to March 2019. This is on Page 23 of the
9 Petition. Also, based on the statistics of the Department
10 of Commerce the imports from Taiwan have consistently been
11 less than 3 percent in the past three years, 2.7 percent in
12 2018 and 2.37 percent in 2017 and 2.36 percent in 2016.

13 All the statistics indicate that imports from
14 Taiwan have been below the negligibility threshold.
15 Moreover, the Petitioner stated that the statistic in the
16 Petition is for the import of staples in stripes under the
17 HS code 83.520 and is covers a myriad types of subject
18 staples.

19 Also, the Petitioner stated that the accurate
20 analysis can only be conducted based on the completed
21 questionnaire raised by Taiwan's producers. This is on page
22 24 of the Petition. However, as imports from Taiwan under
23 the 6-digit HS code are less than 3 percent. It is highly
24 unlikely that its imports of more specific products of those
25 under the 8-digit HS code would exceed 3 percent.

1 Accordingly, Taiwan urges the Commission to
2 exclude Taiwanese producers from the scope of these
3 investigations and to immediately terminate such
4 investigation targeting Taiwanese producers.

5 The second point is total imports from Taiwan in
6 the most recent twelve consecutive months did not exceed the
7 negligibility threshold. Second, the Petitioner stated that
8 the imports from Taiwan over the 1st 3 months of 2019
9 increased 85 percent over imports from the same period in
10 2018.

11 However, if we look at the Taiwan export
12 statistic in exhibit IN-18 it only shows the first two
13 months of the 2019 and 2018. The 85 percent change is the
14 result of comparison between those two months periods. It
15 is our position that such three month or even two months
16 periods are too short to analyze the import trend. Such an
17 increase to imports might be due to a seasonal shipment
18 trend, such as need for summer construction or a supply
19 chain shift caused by the U.S. China trade tension.

20 Thus the two-month import increase cannot justify
21 the investigation targeting Taiwanese producers. Moreover,
22 the WTO committee on antidumping practices recommends that
23 the time period to consider in making a determination of
24 negligible import volumes should be normally based on the
25 most recent 12 consecutive months.

1 Here, based on the data from the Department of
2 Commerce the total import volume of said products in the
3 most recent 12 consecutive months i.e. April 2018 to March
4 2019 is 72.3 million kilograms and imports from Taiwan
5 account for 2 million kilograms. This is approximately only
6 2.89 percent of total imports, thus even though there was an
7 85 percent increase between the first two months of 2019 and
8 2018.

9 The total imports from Taiwan in the most recent
10 twelve consecutive months did not exceed the negligibility
11 threshold. Consequently, since the total imports from
12 Taiwan in the most recent twelve consecutive months did not
13 exceed the negligibility threshold, the Commission shall
14 immediately terminate such investigation targeting Taiwanese
15 producers.

16 Third, any injury suffered by the domestic market
17 of the United States has not been caused by Taiwan. It
18 appears that this Petition is targeting imports from China
19 in particular, the volume of which is far greater than that
20 of imports from any other countries being investigated.

21 As stated in the Petition, the imports from China
22 accounted for 86.6 percent of total imports during April
23 2018 and March 2019. In contrast, Taiwan's import of those
24 products accounted for only 2.5 percent of the total imports
25 over the period, which is negligible.

1 Moreover, the Petition stated that in 2018 China
2 alone exported a volume that amounted to more than the size
3 of the entire U.S. Market. This is on page 33 of the
4 Petition. Thus, it is Taiwan's position that any injury
5 suffered by the U.S. Domestic Industry has not been caused
6 by Taiwan but rather by imports from China.

7 In addition, the Petitioner stated that if Taiwan
8 and Korea are not retained in these proceedings, importers
9 will immediately turn to established producers in these
10 countries as a source of supply. However, according to the
11 statement of Taiwanese producers they claim that their steel
12 staples are generally of high and stable quality. Also,
13 they have entered into long-term supply contracts with
14 American firms with stable prices.

15 While this type of business model benefits both
16 Taiwanese producers and American businesses it does not
17 negatively impact the domestic pocket of the United States.
18 Also, because Taiwan has limited capacity to supply the
19 additional demand if antidumping duties are imposed on
20 Chinese Producers Taiwan products will post no threat to the
21 domestic U.S. Market and will not cause injury to the
22 domestic steel staples industry. Therefore imports from
23 Taiwan benefit both Taiwanese and American businesses and
24 did not and will not negatively impact the Domestic
25 Producers in the United States.

1 Last point, Taiwan continues reinforcing its
2 mechanism in monitoring illegal trade shipment and deterring
3 other illegal trade activities. Taiwan has enforced its
4 mechanism in monitoring any legal trade shipment on steel
5 products to the U.S., especially in the case where there is
6 abnormal increase in Taiwan's import volume.

7 The Taiwanese government also works very closely
8 with our industry associations to eliminate any illegal
9 trade shipment. Moreover, our government has been calling
10 on our companies not to engage in dumping, illegal trade
11 shipment or using false certificate of origin or engaging in
12 any other evasion or customs fraud actions.

13 In light of these factors, Taiwan urges the
14 International Trade Commission to exclude Taiwanese imports
15 from this investigation. Thank you.

16 MS. CHRIST: Thank you.

17 MR. BURCH: Thank you, Mr. Tsai. Opening remarks
18 on behalf of those in support of imposition will be given by
19 Adam H. Gordon of the Bristol Group. Mr. Gordon, you have
20 five minutes.

21 STATEMENT OF ADAM GORDON

22 MR. GORDON: Thank you and good morning, Ms.
23 Christ, members of the Commission staff. It's a pleasure to
24 be here today. My name is Adam Gordon from the Bristol
25 Group. I am counsel to the Petitioner, KYOCERA SENCO

1 Industrial Tools, Incorporated.

2 SENCO is by far the largest producer of collated
3 steel staples in the United States, in an industry that once
4 had many producers but now consists of only three companies:
5 SENCO, Acme Staple Company, and Provena. Acme also is
6 appearing on our witness panel today to provide testimony
7 and answer questions.

8 This case presents a classic situation of
9 substantial increases in imports from China, Taiwan, and
10 Korea achieved by very aggressive pricing. The data shows
11 significant margins of underselling across all of the
12 pricing products.

13 This combination of aggressively low prices and
14 increased volumes had an unsurprising effect. Over the past
15 three years, even while the U.S. economy experienced a
16 period of unprecedented growth, the domestic industry's
17 performance declined markedly.

18 Low-priced imports from China, Korea, and Taiwan
19 took market share from the domestic industry and prevented
20 the industry from passing through significant increases in
21 raw material costs.

22 SENCO competes in every part of the market, from
23 big box stores to industrial accounts, to national
24 distribution, and is experiencing injury in all parts of the
25 market. SENCO lost sales, and indeed entire accounts. The

1 company's performance and market share declined, and from
2 2018 to 2019 SENCO has begun to lose production workers.

3 As you will hear from our witnesses this morning,
4 SENCO and Acme are ready, willing, and able to compete head
5 to head with producers from anywhere in the world so long as
6 their products are fairly traded.

7 We are here today to ask the Commission to render
8 an affirmative preliminary determination, finding that
9 imports from China, Korea, and Taiwan are a cause of
10 material injury to the domestic industry, so that the
11 Commerce Department can begin its investigations in earnest
12 and start the process of returning a level playing field to
13 the U.S. market for collated medium- and heavy steel
14 staples. Thank you.

15 MR. BURCH: Thank you, Mr. Gordon.

16 Those in opposition to imposition opening remarks
17 will be given by Edmund Sim with Appleton Luff. Mr. Sim,
18 you have five minutes.

19 STATEMENT OF EDMUND SIM

20 MR. SIM: Good morning. My name is Edmund Sim
21 from the law firm Appleton Luff. And along with my partner,
22 Kelly Slater, we represent China Staple, and--

23 MR. BURCH: Would you please pull the mike up a
24 little bit?

25 MR. SIM: --Corporation. We are joined today at

1 this conference by Sanny Lin, Assistant Manager in China
2 Staple. We thank the Commission for providing this
3 opportunity to explain why the Commission should terminate
4 this investigation with regard to subject merchandise from
5 Taiwan.

6 China Staple is the largest producer and exporter
7 of subject merchandise from Taiwan, Republic of China.
8 Under the WTO Agreement and U.S. statute, Taiwan has to be
9 considered as a Customs territory separate from China.

10 Also under the WTO Agreement and U.S. statute,
11 the Commission has to consider imports of Taiwan as
12 negligible if its share of total imports is less than 3
13 percent. Petitioners own data show that Taiwan has never
14 exceeded this 3 percent threshold. As such, Taiwan should
15 not be cumulated with imports from China and Korea which
16 have exceeded this threshold during the Period of
17 Investigation.

18 When considered separately, imports from Taiwan
19 cannot be considered as being the cause of material injury.
20 A source that has never exceeded 3 percent of total imports
21 did not cause material injury.

22 Moreover, the imports from Taiwan do not threaten
23 the U.S. industry with material injury. Any purported
24 imminent increase in quantities in the first two months of
25 2019 can't be explained by seasonal trends associated with

1 the U.S. construction season, or even to an earthquake that
2 happened in Taiwan in February 2018 which affected the
3 export statistics.

4 Production capacity has remained stable with high
5 utilization rates, and Taiwan's industry has no plans to
6 expand production in a location limited by resource and
7 manpower issues.

8 Finally, as Mr. Chih from TECRO has explained,
9 the Taiwan authorities are taking measures to strengthen
10 measures against alleged trans-shipments and circumvention
11 of trade remedy measures by China exporters.

12 In sum, Taiwan is not the problem. Regardless of
13 what the Commission decides with regard to injury that might
14 have been caused by China and Korea, the information
15 presented by the Petitioner itself establishes that imports
16 in Taiwan are negligible, are not a cause of material
17 injury, nor a threat of material injury.

18 We look forward to explaining our position in
19 this conference. Thank you.

20 MR. BURCH: Thank you, Mr. Sim.

21 Madam Chairman, the panel in support of the
22 imposition of antidumping and countervailing duty orders are
23 seated, and I'd like to note this panel has 60 minutes for
24 their direct testimony.

25 MS. CHRIST: Thank you.

1 Welcome to all panel members. Please begin when
2 you're ready.

3 MR. GORDON: Thank you, Madam Chairman. Again,
4 this is Adam Gordon from the Bristol Group, counsel to the
5 Petitioner. Our panel of witnesses this morning will
6 consist of the following executives and individuals: Chuck
7 Iker and--to my left, Chuck Iker from SENCO. To my right,
8 Mr. Joe Faron, also from SENCO. To Mr. Faron's right, Tom
9 Gold from Acme Staple. In the table behind me, Mr. Dan
10 Klett, our economist from Capital Trade. Then I will
11 provide some closing remarks on behalf of the panel.

12 So without further ado, I'd like to turn it over
13 to Mr. Iker.

14 STATEMENT OF CHARLES IKER

15 MR. IKER: Good morning. My name is Chuck Iker
16 and I am SENCO's Director of U.S. Manufacturing Operations.
17 I've been with SENCO for over 40 years in a variety of
18 production-related engineering capacities, and also am
19 involved in industry standards organizations.

20 My testimony this morning will focus on our
21 production of medium and heavy staples and their uses, and
22 how domestic and imported staples compare.

23 I'd like to start by giving a brief introduction
24 to our company. SENCO has roots going back to the 1940s,
25 and has a long history of innovation in the fastener and

1 tool industries. We produce the staples covered by this
2 case at our plant in Cincinnati, Ohio, where we also produce
3 nails. We have over 150 production employees producing
4 staples in our facility, and a total workforce of over 400.

5 Senco is an integrated staple producer, meaning
6 that we have--we start with wire rod, and we draw it into
7 wire of appropriate diameters for the staples that we are
8 producing. We use two different processes to produce
9 staples at our plant in Cincinnati.

10 One approach produces individual staples that are
11 continuously cohered and collated using glue, adhesive, or
12 tape. The staple press counts the required number of
13 staples and then cuts the strip off for automatic packing.

14 The other process we use is what is called a band
15 line of wires. In this process, multiple strands of wire
16 are pulled from a back stand, which is a large rack holding
17 spools of wire. The number of wires is equal to the number
18 of staples in the finished strip being produced. The wires
19 are collated and then glued together, forming a band that is
20 rolled onto a spool. The band is fed into a staple press
21 that measures the amount of wire needed for the finished
22 staple, then shires it off and forms the finished staple in
23 one operation.

24 Regardless of how they are produced, staples with
25 the same specifications are completely interchangeable.

1 This is true no matter who produces them, and no matter how
2 they are collated.

3 Imported staples made to the same specifications
4 are completely interchangeable with our staples. Indeed, as
5 we showed in the Petition, they are even advertised this
6 way. How they are collated also makes no difference. You
7 can use the staples collated with glue and staples collated
8 with tape in the same stapler with no issues.

9 For their intended application and uses, staples
10 do not have a perfect substitute. Because they have two
11 legs and a crown, staples have unique holding
12 characteristics. Nails and screws are not direct
13 substitutes for staples because they have only one shaft
14 and their head occupies a relatively smaller area for
15 holding purposes.

16 I'd like to speak briefly about the group of
17 staples covered by this case. This case generally covers
18 staples made from wire that is from 15 to 19 gauge. This
19 range covers what the industry generally refers to as medium
20 and heavy staples. From an engineering and use perspective,
21 this range constitutes a clearly defined body of products
22 that are dissimilar from heavier or lighter staples.

23 The difference between 19 and 20 gauge staples,
24 for example, is very significant in terms of performance
25 characteristics and how they are used. The staples covered

1 by this case are used to make strong wood-to-wood joints
2 when making prefabricated homes, furniture, or cabinetry.
3 20 gauge and other staples made from thinner wire, which the
4 industry refers to as "light wire staples" are not used in
5 this way because they are not strong enough. They are used
6 for applications like attaching upholstery to frames,
7 tacking up insulation board, and the like.

8 From the point of view of someone who has been
9 involved in this industry for over 40 years, the differences
10 between staples covered by this case and other staples are
11 very clear.

12 Thank you for your time and attention. I would
13 be happy to answer any questions that you may have.

14 MR. GORDON: Thank you, Mr. Iker. Now we'll turn
15 to Mr. Faron.

16 STATEMENT OF JOSEPH FARON

17 MR. FARON: Good morning. My name is Joe Faron
18 and I am SENCO's Vice President of North American Field
19 Sales. I have been with SENCO for over 30 years in a
20 variety of sales positions, and have been in my current
21 position for a year-and-a-half.

22 My testimony this morning will focus on how our
23 products get to market, our customers, conditions in the
24 market, and the negative impact imports from China, Korea,
25 and Taiwan have had on our entire industry over the past

1 three years.

2 SENCO produces and sells a complete range of
3 medium and heavy staples covering hundreds of different
4 skews. We sell to all different types of customers,
5 including national and regional distributors, big box
6 stores, industrial end users, national retailers, building
7 supply stores, buying co-ops, and staff to type
8 distributors. There is no part of the market that we do not
9 compete in and supply, and no part of the market in which we
10 are not suffering injury due to imports.

11 Given my direct involvement in SENCO's sales, I
12 am very familiar with conditions of the competition in the
13 U.S. market. Demand for medium and heavy staples is driven
14 by home building and the strength of the overall economy.

15 As you know, over the past three years the U.S.
16 economy has continued enjoying a period of strong growth.
17 The market for medium and heavy staples has grown as well,
18 reflecting increased demand in home building, furniture,
19 cabinetry, and other end uses.

20 SENCO's ability to capitalize on these favorable
21 economic conditions and increased sales and performance,
22 however, has been significantly undermined by increased
23 volumes of low-priced imports from China, Taiwan, and Korea.

24 Even though our economy has been booming, our
25 performance has actually deteriorated significantly over the

1 past three years. Even as we have struggled with increased
2 volumes of low-priced imports, at the same time we
3 experienced significant increases in our raw material prices
4 caused by the imposition of trade orders on wire rod and
5 then imposition of the Section 232 steel tariffs.

6 As everyone in the room is probably aware, the
7 Section 232 tariffs cover our major raw material, wire rod.
8 But they do not cover finished downstream steel products
9 like staples. As was intended, the Section 232 tariffs
10 caused prices for both domestic and imported rod and wire to
11 increase significantly and quickly. At the same time,
12 imports of medium and heavy staples have no tariff and
13 continue to come into the United States at increased
14 volumes and low prices.

15 This has created a situation where SENCO has been
16 unable to increase prices to cover the increases in raw
17 material prices. Imports were hurting SENCO before the 232
18 tariffs went into place, but the injury they are causing is
19 being magnified by the 232 tariffs.

20 These factors matter because the market for
21 medium and heavy staples is driven almost entirely by price.
22 As you have heard, Mr. Iker testified earlier our staples
23 and imported staples are interchangeable. Regardless of the
24 producer, and regardless of how they are collated, foreign
25 producers and U.S. distributors advertise their collated

1 staples as similar to or interchangeable with SENCO staples.
2 Specifically, to ensure that customers know that their
3 staples can be substituted for SENCO staples and used in
4 the same staplers. If they are produced to the same
5 specifications, they can be used in the same staplers and
6 for the same applications without any difference.

7 What distinguishes imports from China, Taiwan,
8 and Korea is their very low prices. Over the past three
9 years, we have lost accounts across the spectrum of the
10 market, including those you might think would be fairly
11 safe. Even with those accounts, the prices of imports are
12 simply too low.

13 For example, we have a number of accounts where
14 we supply loan tools free of charge, usually pneumatic
15 staplers, along with free parts and service, for a certain
16 period of time. Ordinarily you would think accounts like
17 this are not likely to switch to imports because of the
18 enormous amount of work needed to replace the current tools
19 and then support hundreds of tools in the factory. But over
20 the past three years, we have documented multiple instances
21 where we have lost such accounts when imported staples are
22 offered at such low prices, along with their own tools and
23 service programs, to induce customers to switch entirely.

24 I would like to spend the last couple of minutes
25 of my testimony anticipating some creative ideas you may

1 hear from parties opposing this case.

2 You may hear claims that SENCO can't supply all
3 of the medium and heavy staple products that a large
4 distributor needs for all of his accounts; that it will not
5 supply private label products; that we do not have the
6 capacity to supply the volumes the market needs; or that we
7 are somehow protected in certain parts of the market.

8 Let me take those briefly in turn.

9 First, no single company here or in China,
10 Taiwan, or Korea produces every single type of staple. I'd
11 be surprised if any large importer or distributor sources
12 from only one supplier for all of its medium and heavy
13 staple skews. Not only because of production mix choices,
14 but also as a function of not putting all your eggs into one
15 basket as a matter of supply chain management.

16 Second, with respect to private label production,
17 SENCO has a premium brand, but we actually do produce
18 private label staples. I can tell you that SENCO is willing
19 to consider any opportunity to produce and sell more of our
20 products if we can do so while earning a reasonable return.

21 Third, with respect to the total volumes that the
22 U.S. industry can supply, SENCO has significant amounts of
23 capacity and is ready, willing, and able to put it to use.
24 We can and will compete fairly with any producer in the
25 world. I imagine the same is true for Acme. At the same

1 time, we don't deny that imports can be part of a healthy
2 competitive market. But they must be fairly traded, not
3 dumped and subsidized.

4 Lastly, with respect to the idea of certain parts
5 of the market being protected from imports, as I testified
6 earlier, SENCO competes in all parts of the market and is
7 being injured in all parts of the market. Even with
8 accounts one might think are safe, any claim to that
9 contrary is not credible and simply incorrect.

10 Thank you for giving me the opportunity to be
11 here and share these comments this morning. I will be happy
12 to answer any questions that you have.

13 MR. GORDON: Thank you, Mr. Faron. I now would
14 like to turn it over to Mr. Thomas Gold, Vice President of
15 Acme Staple Company.

16 STATEMENT OF THOMAS GOLD

17 MR. GOLD: Good morning. My name is Tom Gold,
18 and I'm the Vice President of Acme Staple Company, located
19 in Franklin, New Hampshire. With me today is Mr. Onno
20 Boswinkel, formerly Acme's Executive Vice President and
21 General Manager, and is now a consultant. He has been with
22 Acme for thirty-seven years.

23 Acme has deep roots in American manufacturing.
24 Our company was founded in 1894 and has been in continuous
25 operation since that time. Acme invented the collated

1 staple. It has always been a family-owned business. It has
2 been owned by the Gold family since 1971 when my father,
3 Richard, bought the company from the Cook family who moved
4 Acme's operations to its current location in Franklin, New
5 Hampshire in the late 1950s. I joined Richard in the
6 company in 1988. Richard passed away in April at age 93 and
7 was active in Acme's business until the last days of his
8 life.

9 Richard and I have been deeply committed to Acme
10 and to American manufacturing for decades and have supported
11 Acme during recent difficult times. We've been saddened and
12 frustrated by the general erosion of the U.S. manufacturing
13 base and particularly in the area of staple manufacturing.

14 Over the years, many U.S. staple manufacturers
15 have closed their doors or transferred manufacturing
16 operations overseas. Now, only Acme, SENCO and Verbena
17 remain from what was once a vibrant and competitive American
18 industry. We wholeheartedly support SENCO in this action
19 and hope that by leveling the playing field, staple
20 manufacturing can re-emerge as a viable business in the U.S.

21 Compared to SENCO, Acme is quite small, and
22 mostly focused on what are called specialty staples,
23 essentially products that we can produce and sell into the
24 market, despite the presence of very low-priced imports from
25 China, Korea and Taiwan. We do not focus on specialty

1 staples in lieu of larger-volume commodity staples by choice
2 or design. We have the production equipment and capacity to
3 produce any of the staples that are covered by this case.
4 Like many U.S. manufacturers, Acme's been squeezed to the
5 margins of its industry by very low prices of imports from
6 China, Taiwan and Korea.

7 Until about six years ago, Acme was able to
8 compete in a small way by shipping smaller volumes of some
9 commodity staples as fill-ins, or to smaller distributors,
10 dealers and a handful of end users, or by shipping staples
11 made of stainless steel. Now, however, with increased
12 volumes of low-priced imports that have distorted the
13 market, consolidation of staple distribution in the U.S. and
14 the willingness of Asian suppliers to ship even very small
15 quantities of staples of most types of steel, Acme's ability
16 to sell even pallet quantities of commodity-type staples we
17 used to sell, has virtually ceased.

18 Imports are priced at levels that are at times
19 below our cost of raw materials. Allow me to give a
20 first-hand example. In addition to staples, Acme sells
21 staple tackers. One of the tackers we have developed and
22 sell is from Taiwan. Acme has the ability to produce the
23 staples for this tacker, but we don't. Why? Because we can
24 get the staples from Taiwan delivered to our facility at a
25 price that is substantially below our standard cost of

1 production.

2 Imports have so distorted the market that most
3 times, we aren't even asked to quote on product. Because
4 purchasers believe, based on previous quotes from Acme, that
5 Acme simply cannot compete with low prices of imports from
6 China, Korea and Taiwan. Acme has a skilled, hard-working
7 labor force and significant capacity. Franklin, New
8 Hampshire, where our facility is located, is a former mill
9 town, which has been in decline for many years. Today,
10 every job counts in this area. Much like other parts of the
11 country that once were centers of manufacturing.

12 Several years ago we actually purchased two
13 band-line staple presses and trained our workers to use them
14 with the goal of participating in the market for larger
15 volume commodity medium and heavy-wire staples. Because of
16 the way imports have distorted and damaged the market,
17 however, we have never had the opportunity to put this
18 equipment to real use. In the past, we received small
19 orders a couple of times per year, which we ran in a day or
20 two.

21 During the past year, we have received virtually
22 no orders that have utilized our press lines. Let me say
23 that again. We are rarely able to use our presses because
24 of the impact imports have had on the market. We would have
25 to sell below our cost to compete.

1 Given the way the U.S. economy's been growing
2 over the past three or more years, this is extraordinary and
3 troubling. It is precisely during times like this that
4 Acme, like SENCO, should be growing its business, employing
5 more people, re-investing in its operations and earning a
6 reasonable return. My company, like SENCO, has no issue
7 with imports participating in the U.S. market, but only if
8 they're fairly priced and fairly traded.

9 The increased volumes of imports from China,
10 Korea and Taiwan have prevented Acme from participating in
11 the growth of that market that has been seen in over the
12 past three years. In our case, these imports have so
13 distorted the market that Acme often doesn't get an
14 opportunity even to compete for an order, never mind
15 reduced prices to keep it or affirmatively lose it to
16 imports. Thank you for your attention and the opportunity
17 to share these comments with you. Both Mr. Boswinkel and I
18 will be happy to answer any questions that you may have of
19 us.

20 MR. GORDON: Thank you, Mr. Gold. I would now
21 like to turn to Mr. Dan Klett, an economist with Capital
22 Trade.

23 STATEMENT OF DANIEL KLETT

24 MR. KLETT: Good morning, Ms. Christ, members of
25 the Commission staff, I am Dan Klett with Capital Trade,

1 testifying on behalf of SENCO. You should have a packet of
2 slides in front of you to which I'll be referring during my
3 testimony. I will address substitutability, pricing, market
4 shares, the impact of subject imports, the competition on
5 the U.S. industry and threat. I will include references to
6 what I've received so far in questionnaire responses to the
7 extent I can do so in this public session.

8 Regarding substitutability, you heard earlier
9 from the industry witnesses that purchase decisions for
10 medium and heavy staples are almost all about the relative
11 price among alternative sources of supply. Yes, there are
12 multiple types of medium and heavy staples based on wire
13 gauge and dimensions. However, I've seen no information of
14 any significant differences between U.S.-produced and
15 importers' staples with respect to the mix of their sales in
16 this regard.

17 That is, SENCO faces competition from subject
18 imports across the full spectrum of medium and heavy wire
19 staples it sells in all markets and in all channels of
20 distribution. Negotiations are often not staple
21 specification-specific, but across the full range of medium
22 and heavy staples being purchased.

23 Slide 1 summarizes the types of imported medium
24 and heavy staples being offered by Spotnails, a division of
25 importer, Peace Industries. Spotnails offers 15- to

1 19-gauge galvanized staples with dimensions that exactly
2 match SENCO staples. Spotnails is a major distributor of
3 medium and heavy wire staples from China and Korea with whom
4 SENCO competes.

5 Slide 2 shows the same overlap for Korean-origin
6 medium and heavy staples offered by U1.

7 Slide 3 shows overlap with medium and heavy
8 staples imported from Taiwan by Unicatch.

9 And Slide 4 is a screenshot that illustrates how
10 subject imports of staples are offered for sales. B&C Eagle
11 is a distributor of subject staples from China. As you can
12 see, they offer SENCO-style medium-crown staples and state
13 that these staples are "engineered to fit a variety of
14 staplers, including SENCO staplers."

15 I have conducted a preliminary review of the
16 pricing data from U.S. producers and that submitted by
17 importers in Tuesday's APO release. Without going into too
18 much detail, I can say that there are significant margins of
19 underselling from China for all the six pricing products for
20 which the Commission collected data. And while the coverage
21 for U.S. producers is good, the questionnaire coverage for
22 China is still relatively low and very poor thus far for
23 imports from Korea and Taiwan.

24 However, based on my review from public
25 information on price offers by importers and distributors

1 medium and heavy staples from Korea and Taiwan, I would not
2 expect their prices to diverge in any significant way from
3 those charged by importers of the Chinese product. There
4 may be additional questionnaires coming this week, and we
5 will conduct a full review of pricing in our
6 post-conference brief.

7 The pricing data do show increases in price over
8 the POI, but this cannot be viewed in isolation. As
9 testified by Mr. Faron, the Section 232 tariffs have had a
10 significant effect on the raw material costs for wire rod,
11 and the adverse effect on SENCO accelerated during 2018 and
12 into 2019.

13 Slide 5 shows wire rod prices from American Metal
14 Market from 2016 through May, 2019, which have increased
15 significantly since 2016. SENCO has increased its prices
16 since 2016, but not by enough to offset these rising raw
17 material cost pressures. Accordingly, it is seen its
18 financial condition deteriorate, particularly during 2018
19 and it expects this cost-price pressure to become even worse
20 in future months as the cost pressures from higher wire rod
21 prices is expected to continue.

22 Slide 6 is a quote from a recent investor
23 conference by Mr. Woltz of Insteel indicating an expectation
24 that the Section 232 tariffs will remain in effect.

25 Turning now to volume and market shares. Slide 7

1 shows trends for subject and non-subject imports based on
2 census data. I do want to caveat that this HTS category is
3 for all staples and strips, so we'll include some non-scope
4 product. However, it is likely to be representative of a
5 broad trends and the Commission should rely on questionnaire
6 data for in-scope staples if they get adequate questionnaire
7 responses.

8 As shown, subject imports increased from 2016 to
9 2018. Imports remained at high levels in the first quarter
10 of 2019 and also into April-May of 2019. Also, imports from
11 countries other than China, Korea and Taiwan are a very
12 small part of total imports.

13 Market share data are confidential. Given we
14 have now U.S. data from two U.S. producers, which is
15 relatively complete data on the U.S. side, my calculations
16 from available data at this time show commercially
17 significant increases in subject import share from 2016 to
18 2018, and again in interim 2019. Moreover, subject imports
19 are a large share of the U.S. market in an absolute sense.
20 It's accentuating their adverse price effects in the
21 market.

22 Relating to impact, there have been adverse
23 volume, price, revenue and financial effects of import
24 competition to the domestic industry.

25 Slide 8 is a general representation of changes in

1 these indicia over the period of investigation. U.S.
2 producers suffered declines in shipments, revenue and
3 profitability. Although production is up, the reduction in
4 shipments means that more of this production is being held
5 in ending inventory which also was up. These adverse trends
6 will continue over the rest of 2019 if relief is not
7 granted, particularly on the industry's bottom line, given
8 high raw material costs and the inability to pass these
9 costs onto price.

10 Moreover, U.S. producers have significant
11 capacity for medium and heavy staples that is not being
12 utilized. You heard from Mr. Gold earlier that he purchased
13 some staple manufacturing equipment and trained employees to
14 use it. However, this equipment is only used a few times a
15 year, as low prices in the market cannot justify additional
16 production.

17 The last issue I address is threat. The U.S.
18 industry is vulnerable based on recent significant declines
19 in its financial condition, and these are expected to
20 intensify as wire rod costs remain high with Section 232
21 restrictions continuing to be imposed. Moreover, the strong
22 economic conditions that enable the U.S. industry to absorb
23 some of the injury in past years, are not expected to
24 continue. As you heard earlier, the demand for medium and
25 heavy staples is derived from overall construction demand.

1 As shown in Slide 9, construction activity growth
2 for 2019 and 2020 is forecast to be weaker than in prior
3 years.

4 And as shown in Slide 10, based on foreign
5 official trade data on exports from GTA, the U.S. is the
6 major export market for collated steel staples from China,
7 Korea and Taiwan. What this mean is that exporters in these
8 countries will have a strong incentive to continue exporting
9 staples to the United States.

10 Moreover, in light of the increasing volumes in
11 market share of subject imports and the underselling
12 cost-price squeeze and the negative effects that the U.S.
13 industry has faced due to subject imports over the past
14 three years, subject imports can reasonably be expected to
15 have significant adverse volume and price effects in the
16 near future that threaten the U.S. industry. Thank you.

17 MR. GORDON: Thank you, Mr. Klett. I will be
18 offering some final testimony today focusing on the issue of
19 negligibility.

20 The Commission has two potential data sources to
21 use to examine this issue. Ideally, because the HTS
22 subclassification covering the subject merchandise, 83 05
23 20.00.00, is a basket category that covers all imports of
24 staples of base metal and strips, the Commission would rely
25 on its questionnaire data that are specific to the staples

1 that are covered by this investigation. The Commission's
2 ability to conduct an accurate negligibility analysis using
3 the responses, however, is substantially undermined by the
4 very poor response rate.

5 While the Commission has responses from nearly
6 100 percent of the domestic industry, it has received
7 responses from only 13 percent of Korean producers, 16
8 percent of Taiwanese producers, and 10 percent of importers
9 that we identified in the Petition.

10 Moreover, many of the responses that have been
11 submitted are missing critical information such as pricing
12 data. Among the responses missing are those from some of
13 the largest producers in Taiwan and Korea.

14 Based on our review of the (inaudible) we will
15 identify who we understand to be the largest producers that
16 are missing from each country in our postconference brief.

17 As this shows, the questionnaire responses do not
18 provide a reliable evidentiary basis to conclude that
19 imports of subject merchandise from Korea and Taiwan are
20 negligible. The response rate is a matter of the foreign
21 producers and U.S. importers' decisions not to respond to
22 the Commission's questionnaires, despite a legal obligation
23 to do so.

24 The question of negligibility should be examined
25 again in the final phase investigation which hopefully will

1 have a better response rate.

2 The Commission also may consider import data from
3 the applicable HTS classification in this context.

4 Notwithstanding the fact that the HTS category is a basket
5 category, it still provides useful guidance and perhaps the
6 best information available concerning the relative share of
7 total imports from Taiwan and Korea as a percent of total
8 imports and their trajectory.

9 With respect to Taiwan and Korea, official import
10 data for the most recent 12-month period for which data were
11 available at the time the Petition was filed indicate that
12 imports from each country constituted 2.9 percent of total
13 imports. In fact, in the case of Taiwan it constituted
14 somewhat more.

15 It is our position that, had the Commission
16 received complete responses the data should show that
17 imports from Taiwan and Korea individually exceed the 3
18 percent negligibility threshold. This, we believe, is
19 consistent with the common sense notion that Taiwanese and
20 Korean producers and their U.S. importers would have
21 responded to the Commission's questionnaires if doing so was
22 in their interests. In contrast, their failure to
23 participate appears to be in their best interests and cannot
24 reasonably provide a basis for a determination that imports
25 from these sources are negligible.

1 If the Commission does not feel that this
2 inference is warranted, then we respectfully submit that the
3 Commission should render an affirmative threat determination
4 consistent with 19 USC Section 1677.24(a)(4), finding that
5 there is a potential that imports from these countries will
6 imminently account for more than 3 percent of the volume of
7 all such merchandise imported into the United States.

8 Along these lines, we note that "potential" is
9 defined as having or showing the capacity to become or
10 develop into something in the future. The official import
11 data for both Taiwan and Korea show this to be the case.

12 Imports from Korea exceeded the 3 percent
13 negligibility threshold in 10 of the past 16 12-month
14 comparison periods based on data available when the Petition
15 was filed. And imports from Taiwan have been steadily
16 increasing and are greater than 9 percent in the most recent
17 12-month comparison period.

18 With respect to "imminently," we note that this
19 word is defined by Merriam-Webster as "ready to take place"
20 or "happening soon." Again, the Commission's ability to
21 engage in required analysis is crippled by the lack of
22 responses on the record. Official import data are
23 consistent, however, with a finding that imports from these
24 countries have a potential to imminently exceed the 3
25 percent threshold.

1 As just discussed, imports from Korea have
2 exceeded the 3 percent threshold in many recent comparison
3 periods, and imports from Taiwan are on track to do so very
4 soon.

5 In its analysis of whether imports from these
6 countries have the potential to imminently account for more
7 than 3 percent of imports, the Commission also should
8 consider what will happen if these countries are dismissed
9 from these proceedings.

10 In this regard, we respectfully submit that the
11 Commission should refer to the most recent set of cases
12 involving imports of steel nails filed in 2014. In that
13 case, which has strong parallels to this case in terms of
14 products, industries, markets, importers, and producers,
15 Petitioner filed cases against seven countries including two
16 whose imports were negligible on their face, India and
17 Turkey. Representatives of producers in both countries
18 testified at the staff conference that they would not or
19 could not increase exports to the United States, much as we
20 heard in opening comments from opposing counsel.

21 Based on that record and those claims, the
22 Commission found that exports from both countries were
23 negligible and that there was no potential that they would
24 imminently exceed the negligibility threshold.

25 Within 12 months, however, imports from both

1 countries were well above the threshold. In 2015, imports
2 from India were nearly 4 percent of total imports; and
3 imports from Turkey were over 4 percent of total imports.
4 Both countries' shares are even larger today.

5 This increase reflects the natural reaction of
6 importers who set about seeking alternative sources of
7 supply in reaction to the filing of a case, as well as other
8 reasons. In this case, we know that importers are already
9 doing this. And Taiwan and Korea are the obvious targets if
10 they are dismissed from this case.

11 I have here today a letter sent June 20 by
12 Spotnails, a large importer and distributor that is owned by
13 a Korean company, Piece Industries. In this letter,
14 Spotnails refers to efforts underway to secure alternative
15 sources of supply.

16 The statutory analysis of negligibility in a
17 threat analysis is inherently prospective in nature and, as
18 such, requires that the Commission consider all aspects of
19 the import dynamic.

20 It would be unsupported and unreasonable, we
21 submit, to ignore or minimize the very real potential that
22 if Korea and Taiwan are dismissed from this case they will
23 imminently become much larger sources of imports. Both
24 countries have significant and established industries
25 producing medium and heavy staples that are well known to

1 U.S. importers. They would be alternate sources of supply
2 that would grow quickly, exactly as has happened with India
3 and Turkey in the 2014 nail cases.

4 Moreover, the nature of the production equipment
5 involved in staple manufacturing allows relatively rapid
6 shifting of assets from one location to another. We already
7 are hearing about exactly this type of activity. And where
8 producers have affiliated operations in China and Taiwan, as
9 China Staple Enterprise does, the process is made even
10 easier.

11 Additionally, where a large Korean-owned U.S.
12 importer sources from both China and Korea as Spotnails
13 does, there is an established supply chain that can be
14 readily increased.

15 For these reasons, we respectfully request that
16 the Commission continue these investigations with respect to
17 Taiwan and Korea.

18 That concludes my testimony, and the affirmative
19 testimony of our panel. I'd like to reserve the balance of
20 my time for closing comments, please.

21 MS. CHRIST: Thank you very much. And I want to
22 welcome everybody for coming all the way down and providing
23 your testimony.

24 We'll start with Calvin Chang, the investigator,
25 for staff questions.

1 MR. CHANG: Good morning. And again thank you
2 for taking the time to speak with us. I guess the first
3 question that I have I think is more related to data
4 collection. In the course of compiling the record, there
5 appears to have been some issues in terms of companies being
6 able to provide shipment data due to the unit of
7 measurements that we've requested.

8 I was wondering if you could comment on that. Is
9 pounds the best way to collect this information? Or is
10 there maybe some other alternative we could explore, if we
11 need to collect more information?

12 MR. KLETT: Mr. Chang, this is Dan Klett. I mean
13 it's my understanding--and I'll defer to the industry
14 witnesses--that in this industry volume is normally counted
15 in numbers of staples, or boxes of staples.

16 On the other hand, for purposes of comparability,
17 I know in your questionnaire you collected the pricing data
18 on that basis, but the other trade data you collected in
19 terms of pounds.

20 I'm not quite sure why it would be that difficult
21 for a respondent to report on pounds based on some
22 conversion factors, but I'll maybe ask one of the others
23 here to comment on that.

24 MR. GORDON: Mr. Chang, this is Adam Gordon,
25 counsel to the Petitioner. To echo what Mr. Klett just

1 said, producers in many instances track their production in
2 terms of a thousand staples. However, for every product,
3 every SKU, there's a readily available conversion factor to
4 convert to pounds, as witnessed by how we reported our data.

5 So it's a matter of simple mathematics to do
6 that. And also, one, I guess one sort of aspect of
7 collecting on a weight basis would be that to the extent you
8 need to make use of import data in any manner, those are
9 also reported out on weight basis, not on a
10 per-thousand-staples basis. So in short, I would say it
11 should be a relatively simple matter to move from, if you're
12 keeping your books and records on a thousand-staple basis,
13 to move from that to weight.

14 MR. CHANG: Okay, but my understanding from
15 conversations I've had with various industry people is that
16 there are a lot of SKUs. Is that correct? And so I guess
17 that's been kind of the crux of the issues, because there's
18 so many different types of staples and different types of
19 SKU that just merely using some sort of conversion rate I
20 guess in terms of how certain companies keep their, you
21 know, shipments, inventories, in their records, to me that
22 seems to have been the bigger issue.

23 So is there a way to reconcile that issue? Or is
24 it just a challenge that we're just going to have to deal
25 with moving forward?

1 MR. GORDON: This is Adam Gordon again. You
2 raise a good question. And I think rather than sit here and
3 try to brainstorm on it, we'll reflect on that and provide
4 some comments in our postconference brief. Is that
5 helpful?

6 MR. CHANG: Yeah, that would be great.

7 MR. KLETT: Mr. Chang, this is Dan Klett. I'd
8 just like to make one point that I think Adam raised, and
9 that is that the official statistics report volume on a
10 weight basis. So I mean at some point I think the importers
11 had to do that anyway in reporting their data to U.S. Census
12 upon importation. So I'm not quite sure why it's so
13 difficult, for your purposes, when it's already being done
14 upon entry into the U.S. for Census data.

15 MR. CHANG: Okay, so while we're on the topic of
16 the official import statistics, I think in slide 7 when
17 you're presenting the trends in the import data from 2016 to
18 2018, obviously we all understand that this HTS number is a
19 basket category, but I thought it was interesting that you
20 said that that sort of trend can be applicable.

21 And so can we sort of make similar assumptions
22 when regards to calculating negligibility for Taiwan and
23 Korea? Because according to information in the Petition, I
24 keep hearing the 2.9 percent number for Taiwan, so if we are
25 going to apply the same sort of standard in regards to

1 analyzing import trend, do you think it would make sense to
2 be consistent and apply that same sort of standard when
3 calculating negligibility?

4 MR. KLETT: Mr. Chang, this is Dan Klett. The
5 slide 7, you know, the Census data was pretty much
6 illustrative for this proceeding because it's a public
7 forum. We have been looking at the questionnaire responses
8 so far, and we think that actually the questionnaire
9 responses, even given the coverage to date, is probably a
10 better source of information for trends, market shares, and
11 negligibility.

12 And let me just go through what we're looking at.
13 I mean first you have your importer questionnaires, which
14 you would typically use for looking at import market shares
15 and negligibility. You can supplement that with your
16 foreign producer questionnaires. To the extent that you
17 have a foreign producer that identifies exporting to an
18 importer from whom you have not received an importer
19 questionnaire, you can actually use their exports to the
20 U.S. as an indicator to supplement your importer
21 questionnaires.

22 And the third source is the Customs and Import
23 file. There may be some where exporters and importers are
24 identified. And if you know that a certain importer or
25 exporter is a major seller of staples within the scope, you

1 could supplement your questionnaire data with that.

2 So I guess we're looking at those three sources
3 as probably the best for purposes of market share and
4 negligibility, and not Census data.

5 MR. GORDON: This is Adam Gordon. Let me
6 supplement that, if I could, please. On the issue of
7 negligibility, as I said in my testimony the record in the
8 questionnaire responses is very poor. And that is a
9 function of decisions made by importers and foreign
10 producers about whether or not they were going to file
11 responses to the Commission's questionnaires.

12 As a legal matter, I don't see how that can be
13 construed against the domestic industry, when the
14 Commission's ability to conduct the required statutory
15 analysis is significantly impeded by a failure to respond by
16 parties who received questionnaires that they have a legal
17 obligation to answer.

18 So, I mean, you know, as a broader point on that,
19 you know, I take Mr. Klett's point and I think it's a good
20 one in terms of looking at multiple data points and data
21 sources on the record to try to cobble something together,
22 but at the end of the day, to the extent the data set
23 concerning negligibility is imperfect, incomplete, and
24 flawed, that's not something that should be acting to the
25 detriment of the domestic industry. That's something that

1 should be examined further in the final phase investigation.

2 MR. CHANG: Okay, so--alright, so thank you for
3 those answers. I guess one thing that would be helpful,
4 then, is in postconference if you could list some not just
5 foreign producers but also maybe some U.S. importer that you
6 believe we should be receiving a response for, so that, you
7 know, should this go to a final phase we would know to reach
8 out to those companies and I guess be a little more
9 aggressive in trying to get responses.

10 MR. GORDON: We'll be happy to do so. In fact,
11 we're already working on that.

12 MR. CHANG: Okay, so shifting gears a little bit,
13 I know in testimony you guys discussed a bit about the
14 Section 232 tariffs and the impact on the raw material
15 costs. I do believe that staples were subject to the 301
16 tariffs. Is that correct?

17 MR. GORDON: This is Adam Gordon. Staples--my
18 understanding is, they are on the proposed list of traunch 4
19 products.

20 MR. CHANG: Okay.

21 MR. GORDON: So duties are not in place under
22 Section 301, and then now the 232 tariffs do not cover them.

23 MR. CHANG: Okay. Well I think that more or less
24 answers my question on that because--I guess the reason why
25 I was asking that is I was trying to get a sense of whether

1 you believe that whole situation, what sort of impact that
2 has on not just your client's business but also just the
3 industry writ large. I was wondering if you could comment
4 on what you think could be the impact of those tariffs, if
5 they are enforced.

6 MR. GORDON: Just to clarify, you're asking
7 industry to comment on prospectively what the impact might
8 be of 301 tariffs?

9 MR. CHANG: Yes.

10 MR. GORDON: Okay.

11 MR. FARON: This is Joe Faron. The impact of the
12 tariffs, if they would get implemented on it, would have an
13 effect on the pricing in the marketplace; where you'd see
14 competitive pricing on product overseas would raise. And in
15 doing so, it would raise the cost of goods for stuff
16 overseas but also raise price in the marketplace. So, yes,
17 there would be a definite impact on the pricing, unusual
18 pricing.

19 MR. GORDON: This is Adam Gordon. Let me add to
20 that. It's important to keep in mind that the 301 tariffs
21 only apply to China. And this case involves not just China
22 but Taiwan and Korea as well. And so, you know, one obvious
23 impact would be, to the extent trade flow out of China
24 becomes constrained or reduced by virtue of the imposition
25 of these tariffs, that's merely going to shift to other

1 sources of supply, which is exactly why we have Taiwan and
2 Korea in this case. Not only are they sources of dumped and
3 subsidized--dumped imports, but their volume will increase
4 as patterns of trade shift in response to the imposition of
5 any such tariffs on Chinese product.

6 So likely, I would think likely at the end you
7 may not see that great--while Mr. Faron is correct, there
8 might be a price increase, I think the degree to which that
9 increase will be a direct correlation of the amount of
10 duties imposed I think is going to be relatively limited.
11 Because, you know, you're simply going to have sources of
12 supply increase from other areas, especially when you have
13 dumped imports coming in from Taiwan and Korea currently.

14 MR. CHANG: So to that point, do you think the--
15 do you think the majority of the increase, would it be from
16 Taiwan and from Korea? Or are there any other sources
17 which could potentially fill in the gap created by increase
18 in the value or the cost of Chinese imports?

19 MR. GORDON: This is Adam Gordon again. I mean
20 there certainly are other sources of supply. But when you
21 get beyond China and Taiwan and Korea, they're tiny. China,
22 Korea, and Taiwan have well known, established industries
23 with ties to China. And, you know, China Staple Enterprise,
24 for example, has operations in both places. Piece
25 Industries has relationships and brings product out of both

1 places. Those are just two examples, and there are others.

2 So, you know, to the extent you might look beyond
3 Korea and Taiwan, you're going to be looking--there's really
4 no obvious reason to look beyond Korea and Taiwan, given the
5 nature of the industry and the existing relationships and
6 the fact that they already have supply chain relationships
7 in the United States.

8 MR. CHANG: Okay, I guess since we're sort of
9 delving into supplying the market, so I had an interesting
10 conversation with an importer early in the case, like not
11 too long after I issued the questionnaires, and one
12 interesting thing that he told me was that he tried to buy
13 product from your client and was unable to do so because
14 your client refused to sell to him.

15 Obviously I can't go into specific details as to,
16 you know, why he kind of just briefly explained the
17 situation to me, so I'm just kind of curious as to whether
18 there have been other instances in which your client did not
19 sell their product to customers and, you know, if so, what
20 was the reason.

21 MR. GORDON: I'm happy to turn it over to Mr.
22 Faron to respond in a moment, but as an initial matter can I
23 ask, did that importer you spoke with submit a response?
24 Because I don't recall seeing that comment in any of the
25 responses, and I reviewed them all.

1 MR. CHANG: I don't think they submitted a
2 response. It was just a phone conversation I had not too
3 long after I issued the questionnaire. So I can't recall
4 specifically whether they submitted one or not.

5 MR. GORDON: Okay. I also didn't see that in any
6 kind of phone notes, for the record.

7 MR. FARON: This is Joe Faron. I don't recall
8 having turned down any customer at all.

9 MR. BURCH: Will you please pull your mike a
10 little closer?

11 MR. FARON: I don't recall turning down any
12 customer inquiring about buying product from us. If we do
13 get inquiries like that, we do look into them. We look at
14 them. You know, it might come down to price. I mean,
15 basically they might have quoted us, or heard pricing out
16 there what it is before, and our price wasn't in the
17 ballpark and they never came back. But we never quoted a
18 customer that we don't currently do business with now.

19 MR. CHANG: Okay. So, yeah, that concludes all
20 the questions I have at this moment. Thank you.

21 MS. CHRIST: Thank you. We will now turn to
22 Jessica Oliva, investigator.

23 MS. OLIVA: Good morning. I would like to talk a
24 little bit more about the product. Is there a demand for
25 non-steel staples of those sizes?

1 MR. IKER: This is Chuck Iker. I'm not aware of
2 one, non-steel.

3 MS. OLIVA: Thank you. And could you please give
4 us a little bit more information about the role that your
5 inventory plays?

6 MR. FARON: Can you clarify that question? I
7 don't understand what you're asking.

8 MS. OLIVA: Do you hold inventory for large
9 customers?

10 MR. FARON: Do we hold inventory for large
11 customers?

12 MS. OLIVA: Yes.

13 MR. FARON: No, we basically produce product
14 stored in inventory in our warehouse. And then once they
15 place orders, we ship it out.

16 MR. IKER: So we turn our inventory about 23
17 times a month, on average. So we have a lot of velocity on
18 our inventory.

19 MS. OLIVA: Can old inventory be repurposed?

20 MR. IKER: Not as--

21 MS. CHRIST: Could you just make sure to give
22 your name before you answer, for the benefit of the Court
23 Reporter?

24 MR. IKER: Chuck Iker. It can't be repurposed as
25 a different product. It can be sold as long as the

1 integrity is still there on that existing product.

2 MS. OLIVA: Is there a staple that can fit
3 multiple sizes? Or does each size require a different
4 stapler?

5 MR. IKER: Chuck Iker. Generally tools are
6 divided up by gauge, a 16-gauge tool, a 15-gauge tool,
7 17-gauge. And they're generally gauge specific. So a
8 17-gauge fastener fits in a 17-gauge tool.

9 MS. OLIVA: What is the average shelf life of your
10 product? And is there a difference between coated and
11 uncoated?

12 MR. IKER: Chuck Iker. We don't really have a
13 defined average shelf life. A lot of our products are
14 galvanized, so as long as they're kept in appropriate
15 storage, you know, out of the weather, there is really no
16 defined shelf life.

17 MS. OLIVA: And what if it's already a used
18 staple in a roof or a ceiling? What would be--

19 MR. IKER: Are you talking about it was in the
20 application?

21 MS. OLIVA: Yes, it's already being used.

22 MR. IKER: Well, we have done a lot of studies on
23 life. It depends on the fastener. There are different
24 levels of galvanization on staples, and nails for that
25 matter. Within the application, you know, the use is, I

1 don't want to say indefinite, but it's certainly 50, 75
2 years. I mean they're used in the construction environment.
3 It would be just like having the nails fall apart in your
4 house, if you had a house built. It's the same kind of
5 thing.

6 As long as they're used appropriate to the
7 application, there should be certainly a long life.

8 MS. OLIVA: So approximately 60 years?

9 MR. IKER: Yes, that's as reasonable a number as
10 any, I suppose.

11 MS. OLIVA: Thank you. And in the Petition, U.S.
12 producers who no longer produces this product was mentioned.
13 Would you consider that by the time they left the market,
14 were they more of a U.S. producer, or importer?

15 MR. GORDON: This is Adam Gordon. Can I just
16 clarify? Are you referring to Stanley, who exited the
17 industry in 2017?

18 MS. OLIVA: Yes.

19 MR. GORDON: Okay, that's helpful.

20 Adam Gordon. Could you maybe just restate the
21 question, please?

22 MS. OLIVA: Yes. By the time Stanley left the
23 market, were they more of a producer or an importer?

24 MR. FARON: This is Joe Faron. They were an
25 importer.

1 MS. OLIVA: Thank you.

2 And now going into the industry, has the domestic
3 workforce changed over the last couple of years? Like, for
4 example, has new technology been implemented?

5 MR. IKER: This is Chuck Iker. Over what--a
6 couple of years?

7 MS. OLIVA: 2016 to 2018.

8 MR. IKER: Not a tremendous amount of change in
9 that time period. I think we did a lot of automation in the
10 2005 to 2010 timeframe, but primarily the workforce as far
11 as what's expected of them, and their efficiencies, and
12 those types of things, are about the same. Because it's
13 such a competitive environment, we are constantly pushing
14 for higher productivity all the time just to be
15 competitive, but I can't say there's been a significant
16 change in the last two-year period.

17 MS. OLIVA: And this was briefly mentioned
18 earlier today, but does the domestic industry have
19 sufficient capacity to satisfy the U.S. market?

20 MR. IKER: This is Chuck Iker. We have, speaking
21 obviously for our company, we have ample equipment capacity.
22 We can very easily double our production rates, and in a lot
23 of cases triple, in a matter of days if the orders were in
24 place.

25 The only thing that sets a timeline on that is,

1 obviously, if you're going to pick up new business, you're
2 going to pick up private branding, or whatever you're doing,
3 you know, there's a timeframe there to get packaging
4 together, or the graphics and that type of thing, and we
5 would have to add staff. We've certainly got the technical
6 staff onsite to be able to support that level or
7 production, but we just don't have the production orders
8 available.

9 So, yeah, I think within a matter of a month or
10 so, four to six weeks I'll say, we could ramp up our
11 production tremendously.

12 MS. OLIVA: Thank you very much.

13 MS. CHRIST: Thank you very much. We will now
14 turn to the attorney advisor, John Henderson.

15 MR. HENDERSON: Thank you. And I'd like to
16 welcome in particular the company industry witnesses who
17 traveled here to Washington to inform us about your
18 industry.

19 First just a basic question on definition of the
20 domestic industry. In the Petition you mentioned SENCO,
21 Acme, and Provena. And you also mentioned, as was just
22 discussed, Stanley-Black&Decker that apparently closed its
23 operations in 2017.

24 So I just wanted to clarify, in terms of what the
25 proposed definition of the "domestic industry" is. And of

1 course you can address this in postconference brief.
2 Whether any domestic producers should be excluded as a
3 related party. Thank you.

4 MR. GORDON: We'll address that in our
5 postconference brief.

6 MR. HENDERSON: Thank you. And on negligibility,
7 I certainly don't want to get into a discussion of data
8 issues, and I don't really want to get into a legal
9 discussion, but I did want to ask what the relevance of the
10 nails case was in terms of what you're asking us to do.
11 Because it sounds like you're saying based on what happened
12 after the Commission made a negligibility determination that
13 import volumes went up, is it your argument that the
14 Commission got it wrong there? Or is there something in
15 that analysis that you're urging the Commission to adopt in
16 this case?

17 MR. GORDON: We certainly are not suggesting that
18 the Commission made an error. It made its analysis based on
19 the record before it and what had been represented to it
20 under oath in the staff conference. And it could well be
21 that those producers sitting before the staff believed
22 everything they said and had no intention at that time of
23 doing so.

24 However, the demands of the market, and the
25 inducements of people seeking to buy your product can be too

1 strong to overcome even the biggest commitment to not
2 growing your business and not shipping.

3 So what I'm saying is, given--it's very important
4 I think to recognize the parallels and the similarities in
5 the industries in the markets for nails and staples.
6 They're siblings. They're cousins. What I'm saying is, the
7 negligibility analysis when it comes into a threat type
8 situation is inherently prospective in nature. And, you
9 know, what's that carving over the Archives, "What is past
10 is prologue." You know, you have there a spot-on example
11 of, you know, what happens, you know, in this kind of a
12 situation when two countries who are known producers with
13 established industries, customer relationships all over the
14 United States, who are on the threshold of surpassing the
15 negligibility threshold, and in fact in the case of Korea
16 more often than not does, there's a great example of what
17 happens. And we submit you must consider prospective,
18 almost like a sunset review, you must consider prospectively
19 what the effect is going to be of terminating the
20 investigations for these two countries, given what we know
21 about the industries, the markets, the producers, the
22 relationships, and you have this analogous example from a
23 case five years ago involving very similar products. In
24 fact, some of the same producers, same importers.

25 You know, these industries, these markets involve

1 the same parties, the same players, the same large importer
2 distributors who aren't here today but were involved--are
3 involved in both. Some of the same producers produce, like
4 Unicatch in Taiwan produces both nails and staples. So you
5 have there a perfect example of parties already deeply
6 involved in these markets. And it is a natural pathway to
7 growing those imports if they're terminated from this case.

8 MR. HENDERSON: Thank you. And I'm sure I don't
9 really have to ask you, but I would encourage you, in the
10 post-conference brief, to document any of these
11 relationships between producers and distribution channels,
12 etcetera, that might make it, in your view, more likely that
13 imports will, from these countries, if negligible now, will
14 imminently exceed negligibility levels in the near future.

15 And also, I would encourage you, if you're making
16 arguments based on trends in the data for early 2019, for
17 example, like the imports from Taiwan, to address the
18 arguments that we've heard briefly from respondents here,
19 and undoubtedly will hear more about--when they give their
20 presentation--about, are there unique conditions in the
21 Taiwan industry in terms of whether it's earthquake or
22 construction cycles, but by all means, I would encourage you
23 to address those kinds of issue in your post-conference
24 brief as well.

25 Now, one other issue, which I haven't heard any

1 discussion of yet this morning, and was barely mentioned in
2 the petition, but there was as reference, on Page 23, that
3 imports from Korea and Taiwan should be included in
4 cumulated imports. So there's the question of cumulation,
5 and while you don't have to take my word for it, but,
6 obviously the Commission determines that imports from Korea
7 and/or Taiwan are negligible, then they're not eligible for
8 cumulation, but just because, if the Commission determines
9 they are not negligible, that doesn't mean they're
10 automatically to be cumulated. The Commission obviously
11 does an analysis.

12 And can you give us some analysis as to the
13 factors the Commission typically considers, such as
14 fungibility and channels of distribution? I mean if your
15 witnesses can explain, if there are differences or
16 similarities between product from China, Korea, Taiwan and
17 the domestic product, that would be very help to get any of
18 that testimony now.

19 MR. GORDON: This is Adam Gordon. Let me first
20 say, we actually provided a more fulsome cumulation analysis
21 in our first petition supplement. Just so you know. But
22 I'll also let Mr. Klett address the factors, which we've
23 already gone through.

24 MR. KLETT: Mr. Henderson, this is Dan Klett.
25 First of all, if you look at my Slide 1, just in terms of

1 channels of distribution, basically there you have
2 Spotnails, which is a major supplier associated with
3 importer Peace Industries. You know, they supply staples
4 from both China and Korea. And as you can see, the
5 specifications they provide, all these specifications -- but
6 just more generally, this is a commodity-type product and so
7 the interchangeability between imports, whether they be from
8 China, Taiwan or Korea, is fairly close, and that's why you
9 see, for example, in Slide 1, an importer supplying product
10 from both countries.

11 Going to your other cumulation factors, these
12 imports are in the market at the same time. If you look at
13 the import statistics, you know, given the problems with the
14 HS being a basket category, you have imports from all three
15 countries, you know, coming to the market in all months of
16 the POI. They're distributed across the United States.

17 I mean we'll review the importer questionnaires,
18 but also when you look at census data, there's significant
19 overlap with respect to ports of entry. And we provided
20 that in the supplemental on cumulation. So those are my--at
21 least three of the main factors I think the Commission looks
22 at in terms of cumulation, interchangeability in the market
23 at the same time, and you know, geographic overlap. And in
24 terms of channels of distribution, I think the same. I mean
25 there are distributors that sell imports from one or two of

1 the subject countries simultaneously.

2 MR. GORDON: Mr. Henderson, it's Adam Gordon.
3 Please allow me to add one point, which is the, consistent
4 with what Mr. Klett just said, the importer questionnaires
5 do support all of his points.

6 MR. HENDERSON: Thank you. And I would also
7 encourage you--I have to dig out whatever that--there were
8 lots of supplements to the petition, so I'm sorry I missed
9 this particularly discussion. But I would also encourage
10 you folks to address the issue of cumulation for threat
11 analysis, which obviously raises different questions in
12 case, particularly in case the Commission determines that
13 the imports from either of these countries or both of them
14 are currently negligible, but are not negligible for threat
15 purposes, then obviously the question of whether they're
16 cumulated would be very important in that analysis. So I
17 would encourage you to address that in the post-conference
18 brief.

19 MR. GORDON: We'll be happy to.

20 MR. HENDERSON: Thank you. And I don't think we
21 really need an extensive like-product discussion, but I take
22 it that we've discussed certain kinds of staples like the
23 sort of office staples that are not within the scope, or
24 staples used in hand-held staple tackers and there's some
25 discussion of differences between them and those kinds of

1 staples and the in-scope staples. Are these different kinds
2 of staples? Are they subject to different ASTM
3 specifications? Or are they subject to the same
4 specification?

5 MR. IKER: Chuck Iker. Well, they're all subject
6 to definition within the ASTM F1667. They all fit within a
7 category and so we're basically talking the dividing line of
8 15 to 19 and then 20-gauge and down. So, yes, they all do
9 have ASTM F1667 identification numbers.

10 MS. SMITH: Jennifer Smith, counsel for
11 petitioners. I would just add that carton-closing staples
12 that was subject to the different case, actually has a
13 different ASTM specification for carton-closing which is
14 D1974/D1974M-16.

15 MR. HENDERSON: And are these other kinds of
16 staples that are outside the scope, do they have different
17 channels of distribution in the U.S. market?

18 MR. IKER: Chuck Iker. Not for us. I will draw
19 a distinction though. We don't produce anything that's of
20 the desk staple variety. These are just light-wire staples
21 that are, you know, they're used in furniture building and
22 those types of applications. I mean they're used to produce
23 a product in a manufacturing process, so we really don't go
24 down to a desk stapler size of fastener. So from there up,
25 from desk stapler up to the 20-gauge, those are pretty

1 clearly defined in F1667, the ASTM spec.

2 MR. GORDON: Mr. Henderson, Adam Gordon. Just
3 one point on the ASTM specification. I think it's important
4 to keep in mind that F1667 covers a wide variety of staples
5 and it also covers nails. So I mean they're both within the
6 same specification. And even within the F1667, you know,
7 when you have different types and styles or, you know, forms
8 of different products, they can be very, very different, you
9 know, ranging from light-wire staples with fundamentally
10 different performance characteristics to heavy staples all
11 the way to nails.

12 MR. HENDERSON: Thank you. And again, I don't
13 know whether our friends on the respondents' side are going
14 to raise a like-product argument, but I would encourage you
15 in your post-conference brief to address all the
16 Commission's traditional six like-product factors in your
17 submission.

18 And one additional question, just looking at
19 the--just sort of curious--in Slide 7, indicating that
20 imports have increased over the POI and I know in the
21 petition, there's a description of subject imports
22 dominating the U.S. market. And it certainly looks like,
23 you know, without getting into what the specific market
24 share data might be, that the imports were already
25 dominating the market as of 2016, so sort of curious, and I

1 know there's been discussion how there used to be a lot more
2 domestic producers than there are now.

3 I mean, for how long, or over what period have
4 imports, whether subject imports or not, been dominating the
5 U.S. market and was there a time earlier when the domestic
6 industry had a much greater general market share and what
7 might be the reason for this trend apart from what's
8 happened just between 2016 and 2018?

9 MR. FARON: This is Joe Faron. Basically on the
10 imports coming in, is the economy picked up, so the
11 potential of business picked up as well. Prior to that,
12 there's been a slow trend of imports coming in, all the way
13 back from 2010 and even before then. As the domestic
14 producers left, and the reason they left was price. It was
15 a big price difference on it, and it got harder and harder
16 for them to compete and it came down to price and more of
17 them closed up and that's how they ended up getting more
18 market share out of it. It's basically been going on --
19 it's a slow trend that's been going on for a while.

20 MR. HENDERSON: And without getting into
21 specifics, has it been, you know, over this period going
22 back to 2010 or whatever, has it been imports from China?
23 Or were there imports from other sources that have played
24 this sort of overall dominant role?

25 MR. FARON: Not knowing the specifics, China has

1 also been an importer of bringing product in. But it's been
2 mainly price in bringing product in from China on price.

3 MR. HENDERSON: And was there a period, you know,
4 remembering when the domestic industry was sort of the
5 dominant player in the U.S. market.

6 MR. IKER: Chuck Iker. I'd say for the last ten
7 years we've seen that flow up and down. We're very
8 objective about sourcing products. If we're not competitive
9 with them, we'll consider sourcing them. But I've also seen
10 that move back and forth several times, a particular SKU
11 that may make sense right now to source it, may make sense
12 to produce it. And we keep that capacity available. But
13 I'd say over the last two to three years, it's price. It's
14 about import price and competition at this point. And
15 that's been the last two to three year period. Prior to
16 that, you saw ups and downs, variations, but for about the
17 last two to three years, it's been strictly import price and
18 competition.

19 MR. HENDERSON: Okay, thank you. That's all I
20 have for now.

21 MS. CHRIST: Thank you. We'll now turn to the
22 economist, Aimee Larsen.

23 MS. LARSEN: Good morning. I wanna thank the
24 industry experts for your testimony earlier this morning. I
25 want to start off with the demand for staples. So you

1 mentioned earlier that the demand is derived by the demand
2 in the construction industry, and then in the petition
3 there's multitude of end uses from cabinets to the RV
4 industry to furniture business. Is there one end sector
5 that's growing faster than the other? Or has demand pretty
6 much consistent throughout all those different end sectors
7 that you mentioned?

8 MR. FARON: This is Joe Faron. For a while, the
9 RV industry took off and was very robust. And then
10 manufactured housing was the same way. And then house
11 building. And then usually when house construction goes up,
12 furniture goes up. So it's very cyclical, based on the
13 economy, what's going on, but there's not one industry that
14 just completely dominated the market, no.

15 MS. LARSEN: Are you seeing the RV industry also
16 weakening in the next couple of years? Do you know?

17 MR. FARON: It has been weakening this year
18 already. And we project it to be down -- they're projecting
19 to be down again this year and drop next year as well.

20 MS. LARSEN: Okay, thank you. Is the market for
21 CCS staples season? Like, going with construction, do you
22 see a seasonality to the purchasing trends?

23 MR. FARON: Yes. Generally, in the wintertime,
24 it slows down due to weather, but generally in the spring
25 and summer, the building picks up and construction picks up

1 and uses goes up as well.

2 MS. LARSEN: Great, thank you. How do you
3 typically purchase your raw materials, specifically wire
4 rod. Are they purchased on a spot market or very different
5 durations of contracts?

6 MR. IKER: Chuck Iker. We have specific
7 contracts with our steel suppliers. We don't purchase on
8 the spot market. We work with two U.S. steel suppliers with
9 contracts and long-term relationships.

10 MS. LARSEN: And do those contracts fix the
11 price?

12 MR. IKER: They're based off in Texas.

13 MS. LARSEN: Okay. And this morning, there was
14 discussion about how the 232s have increased the raw
15 material prices over 63%. How have these raw material
16 prices affected the price for staples? Are you able to pass
17 through any of the raw material increases into the sales
18 prices for staples to your customers?

19 MR. FARON: Joe Faron. We have some customers
20 that are tied to the index and index pricing, which we were
21 allowed to get some increases when index went up and steel
22 went up. But, for the most part, due to competition from
23 foreign pricing not going up in the marketplace, we were not
24 allowed to pass the price increases onto everybody across
25 the board.

1 MS. LARSEN: You've mentioned that for some
2 accounts you kind of package tools and services with the
3 sales of staples. How do you choose -- how do you offer
4 this? Which customers do you choose to offer this service
5 to?

6 MR. FARON: The package that we put together is
7 based off the volume of fasteners that they use and also
8 depends on what the competition will do as well; but,
9 generally, is the larger accounts we will loan them tools,
10 provide them with no-charge parts as long as they buy the
11 fasteners from us.

12 MS. LARSEN: And what kind of end use customers
13 are these, typically?

14 MR. FARON: We usually target anything over
15 \$50,000 plus in annual fastener sales, but it can go down
16 lower if they have potential to grow.

17 MS. LARSEN: I don't know if you can say this at
18 the conference, but what's the share of these accounts of
19 your total sales? Do they represent a large percentage of
20 your accounts or are they just a few, handful?

21 MR. FARON: Less than 50 percent.

22 MS. LARSEN: If you could give me, maybe in the
23 post-conference brief, just a little bit more targeted
24 number that would be helpful. And is this done just to
25 retain the account or does it affect the price of the

1 staples as well?

2 MR. FARON: It's done to retain the accounts,
3 but the price of the staples is involved of the cost of the
4 parts and service that we put into it.

5 MS. LARSEN: Okay. Do purchasers have a
6 preference for this service and incorporate this into their
7 purchasing decisions?

8 MR. FARON: Some do and some don't. It depends
9 on -- each customer, individually, has different decisions
10 how they want to go about it.

11 MS. LARSEN: And do the import -- your
12 competitors that sell the imported staples are they offering
13 this service as well?

14 MR. FARON: They do offer the same services that
15 we do at a lower price on the fasteners.

16 MS. LARSEN: Are they able to manage the service
17 side as well of replacing the tool parts?

18 MR. FARON: They put in tools and parts as well.
19 Yes.

20 MS. LARSEN: Okay. You mentioned earlier
21 briefly that a lot of the importers also import nails. It's
22 the same firm. It's the same industry. Do you often
23 package staples together with nails? Are there customers
24 that kind of place a joint order?

25 MR. FARON: Yes, many -- yes, they do. Yes,

1 they'll place orders of both staples and nails together.

2 MS. LARSEN: Is that something that customers
3 look for to be able to do?

4 MR. FARON: Some look for one sole supplier.
5 Other ones will keep their opportunities open for different
6 suppliers; but, generally, they try in the manufacturing
7 side to keep one vendor.

8 MS. LARSEN: Earlier there was testimony about
9 all the different channels that the domestic industry
10 serves. Do the same customers purchase staples via contract
11 and not on the spot market? Like the contract sales that
12 you have are those the same customers that might also buy
13 spot or is there a difference in customer type?

14 MR. FARON: Most of our contract customers are
15 through the industrial channel. On the spot buys and on the
16 construction side of it, we do not have any contracts with
17 them at all.

18 MS. LARSEN: Okay. That's helpful. Thank you.

19 Quick question on substitutability, would the
20 end use vary depending on what type of steel is used?
21 Earlier this morning, the stainless steel was mentioned.
22 What end use -- what application would the stainless steel
23 staple be used for?

24 MR. IKER: Stainless steel would be used in an
25 application where you were looking for corrosion resistance,

1 maybe around salt water for in a boat or something of that
2 effect.

3 MS. LARSEN: Overall, are they substitutable or
4 is there a price difference between the two?

5 MR. IKER: Well, you could certainly use a
6 stainless steel fastener on any basic nail or staple
7 application, but it'd be cost prohibitive. It's much more
8 expensive. But yes, you could use it driving the same tool,
9 fit into the same application.

10 MS. LARSEN: What are the distinguishing
11 characteristics between the different steel types; is it
12 primary we're just looking at the strength and the holding
13 power of the staple or is there any other kind of
14 distinguishing characteristics of staples?

15 MR. IKER: Well, you really are dealing with
16 essentially two different types of steel. You're dealing
17 with carbon steel that maybe galvanized or not. What we
18 call bright-basic fastener, which is just plain steel. And
19 then we sell them with the galvanization and then stainless.

20 For the standpoint of corrosion resistance, it's
21 kind of a good, better, best scenario. Bright-basic is not
22 really intended to be used in a dock into water and
23 galvanized would be used in an exterior application and
24 stainless steel would be extreme applications and there's a
25 big cost difference between that galvanized and stainless --

1 large cost difference. Most of the fasteners that are sold
2 are just carbon steel staples, either what we call
3 bright-basic plain steel or galvanized.

4 MS. LARSEN: Great, thank you.

5 Are there any other factors that a purchaser may
6 consider when they're looking to purchase staples? Are
7 there any other qualities that are important to them when
8 they're looking for sources?

9 MR. IKER: Well, certainly, application -- fit
10 in their application. I mean that would be, generally, the
11 most critical thing we'd be dealing with and we're dealing
12 with an industrial account that they're building a specific
13 cabinet or a drawer front or something like that. I mean
14 they have engineered specifications as to what kind of
15 holding power they want and you know the choice of fastener
16 needs to fit the application.

17 MS. LARSEN: You mentioned earlier that not
18 every manufacturer will produce every single gauge or size.

19 MR. IKER: This is correct.

20 MS. LARSEN: So, if you have a large industry
21 customer come to you and say, hey, I have these specs. Do
22 you ever build to order? Do you ever change your
23 manufacturing lines to build a particular size staple?

24 MR. IKER: Yes, we do. We do produce custom
25 applications and fasteners and work with customer's

1 developed fasteners for applications, but it's got to be
2 generally a large customer.

3 MR. FARON: May I add to your comment before in
4 regards to specifications of staples? The biggest player
5 right now in the marketplace that we see is price
6 determining what they buy and who they buy from.

7 MS. LARSEN: Okay, thank you.

8 You mentioned earlier that you offer private
9 labeling. When packaging the product do you have a standard
10 packaging that you use?

11 MR. IKER: Well, in private labeling, we prefer
12 not to do a lot of modification of the packaging because it
13 fits our automated equipment, but we do private labeling for
14 customers that have different requirements for their
15 packaging, both color and physical size and things like
16 that.

17 MS. LARSEN: And does the private label product
18 account for a large portion of your firm's sales?

19 MR. IKER: Not to date, 5 percent, maybe. Joe,
20 does that sound --

21 MR. FARON: Less than that.

22 MR. IKER: Less? Okay.

23 MS. LARSEN: Is it difficult to comply with the
24 private labeling requests?

25 MR. IKER: It depends on how ridiculous the

1 request is. You know we've talked earlier, had mentioned
2 that we had a customer that wanted us to quote something and
3 we wouldn't quote it and it was probably because it was a
4 ridiculous request.

5 We have the capability of producing a wide
6 variety of packaging graphics and that type of things.
7 There are some limitations on the automated equipment to
8 produce lots of different configurations; in other words,
9 5-M, 10-M boxes, 15-M boxes. Like a lot of different --
10 we'd like to stay within kind of an industry standard
11 package configuration, like those are like maybe a 10-M
12 box. And if we get a private label, we'd like to sell them
13 that, but we do deviate from that.

14 MS. LARSEN: Thank you. That's all my
15 questions.

16 MS. CHRIST: Thank you. We'll now turn to the
17 auditor, David Boyland.

18 MR. BOYLAND: Good morning. Thank you for your
19 testimony. I've sent the companies follow-up questions
20 specific to the U.S. producer questionnaire. I appreciate
21 your time responding to those. They're all BPI. I wouldn't
22 be able to ask those specifically here. A lot of the
23 questions I have here are probably going to be
24 post-conference because they deal specifically with the
25 financial results reported by your company. And since we're

1 not in an in-camera session, I can't simply ask the
2 questions, so I hope the question is clear. I'll try to be
3 non-BPI in terms of asking the question.

4 The first question, Mr. Gold, could confirm your
5 company is privately held? I think you did in your
6 testimony.

7 MR. GOLD: The answer is yes.

8 MR. BOYLAND: Okay, thank you. Thank you.

9 With respect to the companies' manufacturing --
10 both U.S. producers manufacturing and sale, I didn't hear
11 anything in the testimony that would suggest there was
12 significant differences between the companies in terms of
13 the actual product being sold; is that correct? I mean the
14 manufacturing process you both use the two processes, to
15 some extent sporadically, but are we looking at basically
16 the same manufacturing process for both companies?

17 MR. GOLD: Acme is much smaller than SENCO. We
18 utilize the same single-wire machines that Mr. Iker
19 described, mostly, and we have those couple of band lines,
20 but essentially, we have the capability to produce the same
21 products, I believe.

22 MR. BOYLAND: So, it's a bit like
23 capability-wise, yes, but obviously the scale is different.

24 MR. GOLD: Yes, that's correct.

25 MR. GORDON: If I can just add one comment, I

1 should've said this earlier, but we have a table with some
2 product samples in the front. And most of them are SENCO
3 staples, to the table closest to you are several examples of
4 staples from Acme. They're identical spec -- identical in
5 all respects.

6 MR. BOYLAND: Gotcha, okay.

7 And here's the BIP question and I can't ask it
8 directly and it may be something that, Mr. Gordon, you could
9 look at both sets of data because what I'm hearing is that
10 when I calculate an average sales value and average costs
11 per pound I really should be looking at something that's
12 pretty close.

13 I'm sorry. The average values that I'm
14 calculating cost and sales for both companies on a per pound
15 basis are not the same, and that's about all I can say. But
16 looking at the numbers, I would think they'd be about the
17 same across the board in terms of the overhead, the direct
18 labor on a per pound basis. I would expect them to be about
19 the same, so I guess I would ask in post-conference that the
20 companies look at the volume information that's being
21 reported to make sure we're on the same basis because what
22 I'm seeing doesn't look like it's the same.

23 MR. GORDON: I believe this is a question you've
24 already put to the companies.

25 MR. BOYLAND: It is. But I couldn't it ask it

1 in this way because basically I'm asking each company
2 separately about the trends. Here it's mainly -- the staff
3 report is going to line up each company's financial
4 information, including per-pound information. And unless
5 there's a really good reason, people are going to want to
6 know what the difference is, so if there is a reason for the
7 difference that's fine, but we would need to understand on a
8 per-pound basis why the companies are reporting different
9 values.

10 MR. GORDON: We're looking at that.

11 MR. BOYLAND: Okay, thank you. And again, it
12 maybe just a technical issue.

13 MR. GORDON: Right.

14 MR. BOYLAND: Okay, thank you.

15 During the period were there significant
16 disruptions in the companies' operations; yes/no? I mean
17 were there any significant changes in the companies'
18 operations in terms of down time, production?

19 MR. IKER: No.

20 MR. BOYLAND: Okay.

21 MR. GOLD: No.

22 MR. BOYLAND: No? Okay.

23 Now, with respect to -- and I believe this is
24 public because it's in Kyocera's 10-K -- the acquisition of
25 SENCO. That was one of the questions I had in follow up

1 about specific ways that the companies' operations may or
2 may not have been impacted. That's a separate question. I
3 was sort of focusing on the manufacturing and operations.
4 But in the income statement, below operating income we have
5 a separate section which covers interest expense, other
6 income, other expenses. In post-conference, I would
7 appreciate it if SENCO could go through those items and with
8 respect to some of the trends that I'm seeing comment on the
9 extent to which those were reflective of SENCO and the
10 Kyocera acquisition.

11 In other words, was -- I mean again I'm looking
12 below operating income. We're talking more about the
13 financial structure of the company, so that's kind of where
14 I'm getting at in that question. So, follow up, that's
15 post-conference, for sure.

16 Okay, another BPI question then, it is -- well,
17 Table 313 in the questionnaire gives the company an
18 opportunity to describe its capital expenditures and you did
19 -- SENCO did provide a good narrative about the changes. In
20 post-conference, with respect to 2018; in particular, you
21 explained why the number changed or was different and it's
22 related to equipment that was purchased. And I guess the
23 question is, is the equipment being used, and this could be
24 post-conference.

25 MR. IKER: I'm assuming we're talking about the

1 purchase of equipment?

2 MR. BOYLAND: Yes.

3 MR. IKER: Okay, it is. It is being utilized.

4 MR. BOYLAND: It is being use?

5 MR. IKER: Yes.

6 MR. BOYLAND: Okay. And I guess here's I guess
7 another question following onto that. If it is being used,
8 in looking at the trade section, to the extent that capacity
9 was impacted by that would I expect to be seeing any
10 difference between interim periods, annual periods in terms
11 of capacity; is that being reflected? It may be. I just
12 you know basically want to confirm that it does.

13 MR. GORDON: We'll address this post-conference,
14 understanding that the gentlemen sitting here today were not
15 the same ones who put some of the data together.

16 MR. BOYLAND: I know. I'm never talking to the
17 accountants.

18 MR. GORDON: Yeah.

19 MR. BOYLAND: I appreciate that; sorry.

20 MR. GORDON: We can let them twist in the wind,
21 if you want, but it's not good sport.

22 MR. BOYLAND: No.

23 I guess related, since we're talking about the
24 KYOCERA acquisition, and it does kind of get to some of the
25 follow up questions I already had but was there any impact

1 in terms of sales as a result of KYOCERA and the
2 acquisition? Like different distribution channels opening
3 up or essentially did things remain the same?

4 MR. IKER: Chuck Iker. From a manufacturing
5 perspective, I've seen very little change. KYOCERA allows
6 us to operate as an independent business. I have seen some
7 investment in the organization as far as equipment, that
8 type of main concern but I can honestly say that over a
9 period of time which KYOCERA has taken over it has not
10 changed my daily routine or the manufacturing operation's
11 daily routine at all.

12 MR. BOYLAND: Okay, thank you. With respect to
13 staple production in general, is it continuous throughout
14 the year? I realize there is a seasonal aspect of sales in
15 terms of construction and spring but you know in terms of
16 production during the year is it pretty much the same,
17 continuous?

18 MR. IKER: Chuck Iker. For the most part we have
19 a very steady employment workforce. We are not in a
20 position of laying people off and bringing them back. You
21 know, when some aspects of the industry are down, other
22 aspects are up and when it is down we are building inventory
23 for busier times.

24 I've been with the company for quite some time
25 and it used to be very cyclical and it seems to me over the

1 past 5-10 years it has become less cyclical.

2 MR. BOYLAND: Okay, thank you. With respect to
3 the current shift structure, could each company describe
4 right now what the shift structure is, in terms of how many
5 days a week, number of shifts, hours?

6 MR. IKER: Chuck Iker. We operate probably 70
7 percent of the plant, two-shift operation. The other 30
8 percent is a three shift operation.

9 MR. GOLD: Tom Gold for Acme. It's single shift,
10 four ten-hour days.

11 MR. IKER: Excuse me. Chuck Iker. I'd like to
12 clarify that a little bit, as far as specifically to the
13 staples, it is a two-shift operation.

14 MR. BOYLAND: Thank you and I realize when we ask
15 these questions we are really zeroing in on the CCS part of
16 it so thank you. Questions regarding the package sales
17 where you are providing tools and service, I know you've
18 already kind of talked about it but in terms of how it's
19 impacting the financial results reported in table 39A, some
20 of the information you indicated it sounded like well maybe
21 the value, the revenue part of this there is an incremental
22 difference if you are providing the tools, service, it's
23 going to be reflected in the revenue to some extent.

24 But what about the costs associated with the
25 tools and the service? How do those get reflected in the

1 financial results or do they?

2 MR. GORDON: Yes, these gentlemen

3 MR. BOYLAND: I'm sorry. I'm not talking to the
4 -- it is sort of one of those questions that I think would
5 be you know fair game and people are going to want to have
6 an understanding of to what extent costs are being included
7 that aren't product-specific.

8 MR. GORDON: We will adjust that post-conference.

9 MR. BOYLAND: Thank you. Do the companies
10 consider staple production capital intensive?

11 MR. IKER: Chuck Iker. I have to be honest with
12 you; I'm not sure how to answer that question. A good
13 portion of our costs are raw materials. A large portion of
14 them as far as capital purchases and that type of thing
15 we've owned equipment but we have for quite some time so I
16 don't know if that addresses your question or not.

17 MR. BOYLAND: It does, in a way, but I think the
18 question is also getting to the level of capacity
19 utilization. How important is that in terms of your cost
20 structure? I know variable costs are important because raw
21 material is a large part of it but I guess maybe if you
22 could talk about you know the level of capacity utilization
23 and what level just it just become unsustainable or --?

24 MR. IKER: Certainly, capacity is critical of the
25 operation and that it distributes overhead at a different

1 rate. So that's the capacity is everything when it comes to
2 driving your costs.

3 MR. BOYLAND: Okay, thank you. And I release
4 that maybe this is something that would be reflected in the
5 pricing information itself when we look at it, how things
6 have changed but from your perspective when I calculate an
7 average value in this case and each year in the interim
8 period are any of the changes reflective of changes in
9 product mix, the underlying product being sold? Or was
10 product mix essentially the same during the period?

11 MR. FERON: Joel Feron. The product mix is
12 pretty much consistent. It has not changed much due to the
13 applications that they're using.

14 MR. BOYLAND: Is that true for Acme?

15 MR. GOLD: Tom Gold, same answer.

16 MR. BOYLAND: Thank you.

17 MR. BURCH: Mr. Gold, can you repeat that into
18 the mic again for the court reporter?

19 MR. GOLD: Tom Gold, same answer.

20 MR. BOYLAND: And similar to that, in terms of
21 customer mix did that change during the period? I realize
22 you talked about how over a longer course of time certain
23 channels become more important or less important but during
24 the period we're looking at was there any significant change
25 in customer mix?

1 MR. FERON: No there's no change in customer mix
2 or really the application mix either.

3 MR. BOYLAND: Okay, thank you. And for Acme?

4 MR. GOLD: Tom Gold. We have some special
5 projects not in this range of product so that changed; not
6 work has changed.

7 MR. BOYLAND: Okay, thank you. And with respect
8 to raw material itself my general understanding is that it's
9 essentially wire rod. Is that true for both companies or
10 are you drawing it yourself? I mean --

11 MR. IKER: Chuck Iker. We draw all of our own
12 wire from rod so everything we use we start from rod and
13 work our way forward.

14 MR. BOYLAND: Okay. And for Acme?

15 MR. GOLD: Tom Gold. We buy wire. We don't draw
16 any from rod.

17 MR. BOYLAND: Okay, and is there any intermediate
18 processing of the material? Is there any intermediate
19 processing in terms of galvanizing or heat treating or
20 anything that's going to happen to the rod?

21 MR. IKER: Chuck Iker. We draw four basic raw
22 materials. Bright rod and galvanized rod. So any
23 galvanized faster than we make we start with galvanized rod
24 and draw it to size and the same thing with the bright.

25 So the advantage of having the wire-draw

1 capability in house is we start with four raw materials, we
2 make 60 different iterations of wire out of those four base
3 raw materials. It gives us a lot of flexibility.

4 MR. BOYLAND: In terms of once you've drawn the
5 wire is there anything after that in order to use?

6 MR. IKER: No. We really can't. We need to keep
7 material flowing from the time it comes off a truck and ends
8 up in distribution. We just don't do processes that require
9 outside external activity. Most of our processes are
10 essentially a wire in, finished carbon out the back type of
11 process.

12 MR. BOYLAND: Okay, and for Acme would that be
13 similar?

14 MR. GOLD: No. We're buying wire in inventory;
15 holding it for applications. I mean there are some small
16 secondary processes such as flattening and straightening
17 that occur on the way in and obviously gluing sometimes
18 painting on the way out but not making rework of the wire.

19
20 MR. BOYLAND: Thank you. You already talked
21 about most of the raw material is not purchased on an on the
22 spot basis. Does the company use hedging at all? Any
23 derivatives to protect against changes in raw material. Or
24 is it basically the contracts themselves that are your
25 hedge?

1 MR. IKER: The contracts are based on indexes.

2 MR. BOYLAND: Okay. This is definitely a
3 post-conference BPI question but for Acme I would ask that
4 if the company could go back and calculate its SG&A expense
5 ratio and confirm that that is consistent with your normal
6 operations, your expectations of what that SG&A ratio would
7 be, thank you; I appreciate that.

8 And with respect to the level of profitability
9 should we be looking at 2016 as kind of a benchmark in terms
10 of that was the expected level of profitability for this
11 industry, or not? I guess in a lot of cases we're already
12 starting off with a low number so it's hard to interpret so
13 I guess I would like your perspective on where were we in
14 2016 in terms of the level of profitability for this
15 product? Were we at about the right level that you were
16 expecting? Low/high?

17 MR. FERON: Joe Feron. I don't have those
18 numbers in front of me to give you a true answer on that.
19 We will have to look that up.

20 MR. BOYLAND: I appreciate that. And it's not to
21 say that anything is wrong, it's just to give us a little
22 more context. So thank you. Thank you.

23 Okay, final and this is a BPI question as well.
24 And it's a data related issue. With respect to SENCO if you
25 could take a look at the tables where assets and cap X

1 amounts are reported, make sure that we're talking about the
2 same rounding convention because the numbers were requested
3 to be in actual dollars and the amounts that are being
4 reported, while they may be right, I don't know for sure,
5 they look like maybe they're rounded in thousands so it
6 would be helpful if you could take a look and let me know
7 how I should interpret that.

8 MR. GORDON: Okay, we'll confirm that. That
9 happened in one other area.

10 MR. BOYLAND: Yes, we usually ask value amounts
11 to be in the thousands so myself; I'm used to see it in
12 thousands so again if you can just double check. I'd
13 appreciate that. Thank you. I have no further questions.

14 MS. CHRIST: Thank you, we will now turn to the
15 Industry Analyst, Allison Thompson. Just before we continue
16 can we check and see if your mic actually turns on when you
17 hit the button? Okay, thank you.

18 MS. THOMPSON: Good morning. Allison Thompson.
19 I have a few questions and it's in regard to the product.
20 Can you please provide any standard and nonstandard
21 packaging and markings for the boxes that the staples
22 actually come in such as the gauge or the crown
23 measurements?

24 So basically, I would like to have what would be
25 the standard for the industry with the packaging of the

1 boxes and the amount that usually comes in each box, whether
2 it's a thousand staples or two thousand or three thousand.
3 If you could provide a better description of what would be
4 the industry standards for the collated steel staples.

5 Also, could you please verify that Eroll fastener
6 isn't a Domestic Producer of collated steel staples? Do you
7 want me to repeat the first question?

8 SPEAKER: That's helpful.

9 MS. THOMPSON: Basically, I'd like you to provide
10 any standard packing or markings for the collated steel
11 staples whether it's distributed in thousands or whatever
12 measurements they usually come in. Also, could you please
13 verify that Eroll fasteners isn't a Domestic Producer?

14 As well. They have a product called T50. Could
15 you please look into that further, please?

16 MR. GORDON: This is Adam Gordon. When we put
17 the petition together, we did examine their product line and
18 we concluded that that was not within the scope.

19 MS. THOMPSON: What provided the exclusion from
20 the scope? Because they have stainless steel, it's 16-gauge
21 and the crown and the legs fall into the scope. So I'd like
22 to know what caused the exclusion from the scope for that
23 product.

24 MR. GORDON: Sure. Yeah, I'll go back and
25 re-examine that, but we had looked at them when we were

1 putting together the definition of domestic industry as
2 well.

3 MS. THOMPSON: Also, are there a certain amount
4 of wires used when you're creating staples? Like, for
5 example, we have another case and they use fifty wires to
6 produce a 1,000 pack. I'd like to know if there's a certain
7 amount of wires used for each pack.

8 MR. IKER: Chuck Iker. It's
9 manufacturer-specific. There is no industry standard for
10 how many staples needs to be in a strip. There is an
11 industry standard for what individual staple needs to look
12 like dimensionally and wire gauge. But as far as, how many
13 staples are in the strip or how many staples are in the
14 box, there is not an industry standard for that. Each
15 manufacturer produces based on what they think is the best
16 offer to the market.

17 MS. THOMPSON: Thank you. That's all.

18 MS. CHRIST: Thank you. We'll now turn to Doug
19 Corkran, the Supervisory Investigator.

20 MR. CORKRAN: Thank you very much. And thank you
21 to this entire panel for your presentation. It's been very
22 helpful. One of the first questions that I have actually
23 involves repeating a little bit of information that's
24 already been stated, but it didn't come across very clearly
25 in the microphone. Mr. Gold, can I ask you, can you please

1 repeat, you discussed the number of shifts that Acme runs
2 with this product and the number of hours per shift, but
3 would you please repeat that testimony?

4 MR. GOLD: Tom Gold. Acme runs single-shift four
5 days per week, ten hours per day.

6 MR. CORKRAN: Thank you very much. That's very
7 helpful. What would be Acme's needs in order to expand its
8 ability to produce? Say, if you wanted to run two shifts,
9 each of which would be forty hours a week, what would be
10 your requirements to actually do that? With, in terms of,
11 say, employment, in terms of equipment on-hand. What would
12 you need to be able to achieve that?

13 MR. GOLD: Tom Gold. We have over a hundred
14 machines currently sitting idle. So we have plenty of
15 production capacity to do more. We would have to hire more
16 personnel and we would have to acquire raw materials and
17 packaging to do so.

18 MR. CORKRAN: So, I know this may seem like an
19 obvious question, but it does differ a little bit from
20 industry to industry. When you talk about machines sitting
21 idle, what does that mean? What is the state of readiness
22 of that equipment? Do you keep it maintained? When you
23 talk about equipment that's sitting idle, what do you mean
24 by that?

25 MR. GOLD: Tom Gold. When I say sitting idle, it

1 basically requires the placement of tooling and probably
2 some make-ready in order to bring it onto production. But
3 that could be accomplished fairly quickly. So -- is that
4 response to your question?

5 MR. CORKRAN: Yes, it is. That's very helpful.
6 Can you -- this is more an elaboration than a new question.
7 In terms of additional investment to bring the machinery
8 online, how extensive--I'm not asking for a dollar
9 figure--but how extensive would it be to -- how costly would
10 it be for your company to bring that equipment online?

11 MR. GOLD: Tom Gold. I really don't have an
12 answer for that. But it would certainly cost something.
13 But not anything that we couldn't handle, either through our
14 own resources or borrowed money or whatever, if the business
15 was there to be done.

16 MR. CORKRAN: And then in terms of crewing that
17 equipment, what would your -- do you have the ability to
18 shift staff or employees from other parts of your business
19 or would that have to be a hiring new workers to crew that
20 equipment?

21 MR. GOLD: Tom Gold. Some of it could be through
22 shifting. Some of it would have to be through acquisition
23 of new employees.

24 MR. CORKRAN: Thank you very much. And now I'm
25 gonna sort of redirect similar questions, maybe to you, Mr.

1 Iker. To the extent that you have available capacity, what
2 is the nature of that capacity? Is it equipment that is
3 online? Or is it equipment that you have, say, in storage
4 or idled?

5 MR. IKER: Chuck Iker. Well, the capacity we
6 have available is equipment that is being run. Because it's
7 being run on first shift. And I don't wanna speak for Acme,
8 but I believe a lot of the equipment he's talking about is
9 being operated, it's just being operated on one shift,
10 rather than two. So in our case, the equipment is operated
11 daily. It's not idle, it's not sitting in a corner, wrapped
12 up. I mean it's in production, but there are three shifts
13 available in a day, and if you're only running at one,
14 you're using a third of your capacity. So we don't have
15 anything that's warehoused or sitting, wrapped up or
16 anything like that. It's all in production-worthy
17 condition, operable.

18 MR. CORKRAN: Okay. Thank you both very much.
19 That's very helpful. I appreciate that. And again, while
20 it may seem straightforward, some of the terminology that's
21 used will differ from industry to industry when you talk
22 about idling, available, questions like that.

23 I want to expand maybe a little bit on a question
24 that Mr. Boyland asked, and Mr. Gold, this is directed to
25 you with respect to Acme. Can you clarify, did I understand

1 that you use at least, primarily, one of the two production
2 methods that SENCO described. Is that, am I accurately
3 characterizing your testimony?

4 MR. GOLD: Tom Gold, yes.

5 MR. CORKRAN: Thank you. Now I'd like to turn, I
6 believe, to Mr. Iker. A lot of the --

7 MR. GORDON: Mr. Corkran, I'm sorry. Can I just
8 add one comment to the -- picking up on the question about
9 production operations. The finished product, the final
10 strips of staples coming off the end of either type of
11 production line are identical and they're interchangeable.
12 So this is just, you know, you know, you're using slightly
13 different technology or approaches to build the staple, if
14 you will, but the finished product is identical.

15 MR. CORKRAN: Thank you for that clarification.
16 I appreciate that. A lot of the discussion today, actually,
17 there were references to medium versus heavy gauge, so when
18 we describe that in the Staff Report, can you please tell
19 me, given the gauge range we're discussing, which I believe
20 is 15 to 19, do the terms medium and heavy fall within
21 clearly defined gauges? What do those terms mean?

22 MR. IKER: Chuck Iker. We consider heavy-gauge,
23 16-, 17-, and 15-gauge. 18 and 19 are what we consider a
24 medium gauge, it's our L&M staple, R&K. Anything below that
25 we consider light wire. I can't tell you that that is an

1 industry standard terminology. It's a common terminology in
2 the industry. It's not specked out in an ASTM spec
3 anywhere, but that is the terminology we use.

4 MR. CORKRAN: That's very helpful. And Mr. Gold,
5 can I turn to you. Do you produce across the entire
6 spectrum of gauges that we're talking about here? From 15
7 to 19? And, if you do, do you use a similar delineation
8 between medium and heavy gauge?

9 MR. BOSWINKEL: This is Onno Boswinkel. The
10 answer is yes, same terminology.

11 MR. CORKRAN: Okay. Can you talk a little, any
12 of the witnesses, can you describe a little bit in terms of
13 application. What, if any, distinctions there are between
14 medium- and heavy-gauge?

15 MR. IKER: Chuck Iker. Using the terminology we
16 had just discussed, medium being an L&M staple and heavy
17 being an RNP&Q, 15 and 16-gauge. 15 and 16-gauge are
18 actually fasteners, they fall into a category of what would
19 be considered an engineered fastener, because they are
20 mentioned in the building codes as far as applications, so
21 they're mean to construct wall sheathing and that type of
22 thing. The, what we consider a medium, which is an RKL&M is
23 typically used in constructing things, but things of a lot
24 lower scale than actual, you know, buildings and siding and
25 sheathing. Cabinetry, furniture, that type application. So

1 miniatures, the mediums are kind of a smaller version
2 duplication of the heavies.

3 MR. CORKRAN: Okay. Mr. Gold, I believe you
4 testified that specialty staples are an important part of
5 your product offering, at least at this time. Can you tell
6 me a little bit about how you might see differences in
7 prices between a specialty and a non-specialty staple. What
8 would you expect? What will one expect to see in terms of
9 price distinctions?

10 MR. GORDON: This is Adam Gordon. Can I ask for
11 one point of clarification. Are you referring to specialty
12 staples in the gauge range of this case? Or other specialty
13 staples that maybe part of Acme's business, but not fall
14 within the scope of products covered by this case?

15 MR. CORKRAN: Thank you. That's a very good
16 question. I am referring specifically to the gauge ranges
17 within this case.

18 MR. GOLD: Tom Gold. Part of the reason we focus
19 on specialty staples is because we're able to get a higher
20 margin for them because there's less competition for the
21 business from overseas or domestically, so we would expect
22 pricing to be higher and margins to be higher. Is that
23 responsive?

24 MR. CORKRAN: Yes, sir, thank you. That was very
25 helpful. The next question I have would be directed, I

1 believe, primarily to Mr. Faron and Mr. Gold. What is the
2 role, if any, of imported material in the general marketing
3 and sales of U.S. producers? Put another way, to what
4 extent, if any, do your firms import product, and to the
5 extent that you do, how is that -- what role does that play
6 in your overall sales of these types of staples?

7 MR. GOLD: Tom Gold. At this point in time, we
8 are not importing -- oh, no, that's not true. Are you
9 asking just for staples in this range? Yeah. At this point
10 in time, we are importing some wire and it plays an
11 important role in our ability to manufacture the products.

12 MR. CORKRAN: Let me clarify. It's not the input
13 that I'm asking about. It's actually -- because I think you
14 said you imported some wire, but I'm really more -- does
15 your firm import the staples within the gauge range that
16 we're talking about?

17 MR. GOLD: Sorry. Tom Gold. Yes, we do, in one
18 instance.

19 MR. CORKRAN: Okay. And how is that integrated
20 into your overall approach in the marketplace? Do you sell
21 them along with domestically-produced staples? Are they the
22 same type of staples? You mentioned the role of specialty
23 staples in your domestic production. Are they the same type
24 of staples in terms of your imports?

25 MR. GOLD: Tom Gold. The domestic staples and

1 the imported staples have the same general application, but
2 have a different point. So one of the ways in which the
3 staples that we produce are special, is that they may have a
4 point that's not the standard point, that's like a what we
5 call the chisel point. That's the standard point in the
6 industry. That's often made on a press and difficult for us
7 to compete with. But if there's a special point, like a
8 pointy point, if you will, what we would call a diversion
9 point, we can be more competitive, so that we bring in
10 chisel point staples in the same range as our divergent
11 point staples and integrate them into the line that we sell.

12 MR. GORDON: Mr. Corkran, if I can add one point
13 to that. Just to point back to Mr. Gold's testimony where
14 he testified about importing a particular staple for use in
15 a staple tacker that Acme has developed, saying that Acme
16 has the capability of producing a staple in-house, but
17 doesn't because the price of the imported staple from Taiwan
18 delivered to Acme's warehouse is lower, much lower, than
19 their standard cost of production. That's a unique
20 circumstance consistent with the kind of injury that we're
21 seeing in the market from the imports from these countries.

22 MR. CORKRAN: Thank you. Thank you both for the
23 testimony and for the clarification. That's very helpful.

24 Mr. Faron, I believe, in terms of SENCO's
25 experience?

1 MR. FARON: Out of the scope staples we're
2 talking about in the 19 gauge to 15 gauge, we import a very
3 small portion of that. It is sold with our manufactured
4 product in Cincinnati.

5 MR. CORKRAN: Does the product that you import,
6 does it tend to be distinctive in any particular way? Or is
7 it in general similar to the product that you product
8 domestically?

9 MR. FARON: If we produced it domestically, it
10 would be the same specifications and the same product.

11 MR. CORKRAN: Okay. Mr. Gordon, this question is
12 for you. It's a broader question. When we're talking--when
13 we're looking at negligibility, one of the things that you
14 referenced today, or perhaps it might have been Mr. Klett
15 who said this, so apologies if I'm mixing up who said this,
16 but there was a reference to some of the questionnaires that
17 are incomplete in terms of pricing.

18 Taking that characterization as accurate--and I
19 understand it to be--still, for the Commission's
20 negligibility calculations does that pose a hurdle in terms
21 of the Commission actually analyzing negligibility as a
22 question involving the ratio of imports from different
23 sources? Is that a problem that certain questionnaires
24 might not have pricing data?

25 MR. KLETT: Mr. Corkran, this is Dan Klett.

1 The fact that some questionnaires don't have
2 pricing data, that's not an issue with respect to
3 negligibility. I think the broader point that Mr. Gordon
4 made is that the coverage of the importer questionnaires you
5 have is very low. Not so much that any particular
6 questionnaire, there's pricing data or not. The lack of
7 pricing data goes to different issues with regard to
8 causation, not so much negligibility.

9 And I also want to clarify a point I made this
10 morning about the other data source, you know, the Customs
11 and Import File. And that is, that the utility of that is I
12 think more to identifying where you have gaps in your
13 importer and foreign producer questionnaires in terms of the
14 magnitude of the coverage you have of subject imports, not
15 so much the data associated in the CNIF but more identifying
16 exporters and importers that we can otherwise identify
17 import the subject product for which you don't have
18 questionnaires at all.

19 MR. GORDON: Mr. Corkran, Adam Gordon. Just to
20 follow up, firstly I'm flattered that you would mistake me
21 for Mr. Klett. That's a compliment I'm glad to take.

22 But secondly, to echo his point, my reference to
23 the absence of pricing data was sort of an example of some
24 of the many kinds of incomplete reporting in the
25 questionnaire responses that are on the record. My point

1 being, even though you have an extraordinarily low response
2 rate here, even the responses you have themselves in many
3 cases are lacking very important information both with
4 respect to potentially negligibility but also other areas.

5 So it's not as though you have 13 percent
6 complete responses. You have responses from 13 percent, or
7 10 percent of importers, which in many cases are largely
8 incomplete.

9 MR. CORKRAN: Thank you. I believe that we are
10 assessing the coverage that we have. And I believe that
11 once the second APO release is made, that I think the
12 characterization of coverage may change somewhat. And I do
13 take your point about whether and to what extent certain
14 questionnaires are complete. And I certainly appreciate the
15 elaboration on whether that goes to negligibility or not.
16 That's all very helpful and very responsive, and I very much
17 appreciate it.

18 One of my additional questions has to go--goes to
19 the company that we discussed a little bit this morning,
20 Stanley Black & Decker. So my question is, what role in the
21 market did they play as a U.S. producer? How extensive was
22 your competition with Stanley Black & Decker earlier in the
23 data collection period?

24 MR. FARON: Joe Faron. The items that they
25 produced in the United States was very minimal. There were

1 a very few select items they did produce. It was in the
2 scope of the product range that we're talking about, but
3 they did produce it for a very short period of time here,
4 and they did have some business until they went overseas due
5 to pricing.

6 MR. CORKRAN: In your view--for any of the
7 witnesses--in your view, did you compete extensively with
8 Stanley Black & Decker in their role as a U.S. producer?

9 MR. FARON: Joe Faron. Yes, we did.

10 MR. GOLD: Tom Gold. I would say that Stanley
11 Black & Decker was a competitor of ours, but because of our
12 size we weren't necessarily a competitor to Stanley Black &
13 Decker.

14 MR. CORKRAN: Thank you. And I understand the
15 distinction you're making. So then I'm going to direct this
16 question mainly to SENCO, this follow-up question.

17 Once Stanley Black & Decker was no longer in the
18 U.S. market as a U.S. producer, did you see any change?
19 That is, were you able to--did you benefit in any way from
20 their absence once they were no longer a U.S. producer?

21 MR. FARON: Joe Faron. On the sales side of it,
22 no, we did not benefit once they left. Actually, it
23 probably hurt us more because they were more competitive
24 bringing lower cost product into the marketplace.

25 MR. CORKRAN: Okay. I have only two more

1 questions. One is a very technical question that can go
2 into the--into your postconference brief. You don't even
3 have to answer it here, and it may be confidential at any
4 rate.

5 With respect to the wire rod, or wire, that you
6 source as an input, can you provide us with the grade or
7 type of wire rod or wire that you source?

8 MR. GORDON: Yes, we can. And it's already--but,
9 yes, we'll provide it in postconference. I think it's
10 already on the record, but we'll supply it again.

11 MR. CORKRAN: Thank you very much. That's very
12 helpful. And then the last question I have is, reading some
13 of the source material about this industry, or even the
14 broader market, there's an article about KYOCERA acquiring a
15 company called SouthernCarlson. Can you expand on what that
16 means in the marketplace, that particular acquisition?

17 MR. FARON: Joe Faron. KYOCERA acquired
18 SouthernCarlson, and we are two separate companies. We do
19 not interrelate with those. We actually sell to
20 SouthernCarlson. We compete against SouthernCarlson. But
21 both companies are run as independent companies, and we are
22 not associated as far as any other relationship which is an
23 affiliate of KYOCERA.

24 MR. GORDON: This is Adam Gordon. Let me just
25 add one point to Mr. Faron's point. Both companies have

1 separate management, separate financial and reporting
2 systems, and are run independently and wholly separately.

3 MR. CORKRAN: Thank you. Again I want to thank
4 the panel for your presence today, and I want to thank the
5 panel for your very helpful responses to my questions. I
6 appreciate it, and I have no further questions.

7 MS. CHRIST: Thank you. I will just do a scan to
8 see if there are any--if anybody has any follow-up
9 questions. We'll start with Calvin Chang.

10 MR. CHANG: Just one quick follow-up question
11 regarding the scope. So I just want to make sure. Is it
12 feasible that a 14-gauge or a 20-gauge staple would fall
13 under the scope of these investigations? Because I'm just
14 unclear as to what the distinction is between those two
15 types of staples, because I've seen that come up in a couple
16 of responses.

17 MR. GORDON: Adam Gordon. Mr. Chang, the scope
18 obviously is defined by reference. In this instance, the
19 relevant characteristic is the diameter of the wire used.
20 And we've defined that by specific measurements. The
21 measurements do not encroach on 14-gauge at the higher end,
22 or 20-gauge on the smaller end. We framed it specifically
23 to avoid drawing staples of those gauges into the scope
24 because they're not part of this like product.

25 MS. SMITH: Jennifer Smith, counsel for

1 Petitioner. I will note, and this was clarified in our
2 Petition supplements, that when we had submitted the initial
3 Petition that there was a typo in the lower range of the
4 diameter which we've since corrected to correctly reflect
5 that it does not cover the other gauges. It only covers the
6 15 to 19 gauge.

7 MR. CHANG: Okay, one last question. I think
8 this is probably for you, Mr. Gordon. You kept referencing
9 the coverage of being like 10, 13 percent. I'm just curious
10 exactly how you came about that number.

11 MR. GORDON: We looked at the number of responses
12 filed on the Commission's docket by country, firm
13 respondent, and also then by U.S. importer, and we compared
14 that number against the number of foreign respondents,
15 producers and exporters, and then U.S. importers that we had
16 included in our general exhibits as part of the Petition.

17 MR. CHANG: Okay, so if I interpret that
18 correctly, you basically took the number of respondent
19 responses, and then you just divided that by the number of
20 listed importers/exporters in those exhibits? Is that
21 correct?

22 MR. GORDON: That is correct.

23 MR. CHANG: Alright, those are all the questions
24 I have. Thank you.

25 MS. CHRIST: Thank you. Let me see if there are

1 any more--and for the Court Reporter, it's Allison Thompson.

2 MS. THOMPSON: Hi. The wire gauges that you use,
3 is it based off the American Brown & Sharp diameters for the
4 gauges?

5 MR. IKER: Chuck Iker. Yes.

6 MS. THOMPSON: Thank you.

7 MS. CHRIST: And we'll turn to Jessica Oliva for
8 another question.

9 MS. OLIVA: Other than price, are you aware of
10 any other factors that might have led to Stanley starting
11 importing the scope product?

12 MR. FARON: Joe Faron. No.

13 MS. CHRIST: Do we have any others?

14 (No response.)

15 MS. CHRIST: Thank you very much. I would also
16 like to reiterate everybody's statements of appreciation for
17 all the time that you've taken to come down here and answer
18 our questions. And I appreciate that since you can't bring
19 the entire front office, your front office management here,
20 you have played different roles and tried to answer a
21 variety perspective of questions. So I appreciate that.

22 Most of the questions have been asked. I was
23 going to ask about bundling, but then somebody asked that.
24 And--but I do want to follow up on a couple of questions.

25 Specifically, I believe Mr. Gold, you mentioned

1 that you produce specialty. Could you just give me a sense
2 of when somebody asks you that you produce specialty, you
3 say, oh, I produce specialty, which is not, and one of the
4 characteristics that primarily define a specialty product.

5 MR. GOLD: Specialty refers to either dimension,
6 meaning the leg length or the crown in the top part of the
7 staple, the point on the end -- the standard point with
8 standard presses, a chisel point like if you look closely at
9 an office staple it's a chisel. We make staples that may be
10 special in terms they would have a spear point or points
11 that would diverge if they were applied into wood. They
12 might be a blunt point. And it might be the material. We
13 make staples that are copper and bronze and brass, mantel,
14 ink canal, as well as stainless steel and galvanized steel,
15 so that's what you mean. It's a staple that is, generally
16 speaking, too small for the larger staple manufacturers to
17 produce.

18 MS. CHRIST: So, if somebody's coming to
19 purchase your specialty type of staples have they already
20 determined that the other characteristics that's not what
21 they want. They wouldn't substitute to the standard,
22 whether it's a steel type versus the copper or the chisel
23 versus the point. They've already decided that those are
24 the features that they need in that product.

25 MR. GOLD: Generally speaking, yes. If you can

1 use a standard staple you would. Sometimes our business is
2 we will engineer staples specifically for an application.
3 So, an end user may come to us or a distributor and say I
4 need a staple to do X, Y, and Z or here are some materials
5 we need to cohere together with a staple and we will then
6 engineer a staple to satisfy that requirement.

7 MS. CHRIST: Thank you.

8 I'd like to follow up on the private label. I
9 understand you guys indicated that it was a very small part
10 of your business, probably about less than 5 percent. How
11 does that compare to its role in the market? Does it
12 represent, one, about the same proportion in the market and
13 as that changed recently?

14 MR. IKER: I believe we said that we thought it
15 was maybe 5 percent of our total volume. We just do not get
16 that many requests for private label, to be honest with you.
17 It's not something that we -- you know we've got the
18 capability of doing it. If somebody wants to request
19 private label quoting, we will quote it. We just need to
20 make a profit on it.

21 MR. FARON: Can I add to that? Is that in the
22 marketplace private label is becoming prevailing and the
23 reason being is price for product coming in from overseas.

24 MS. CHRIST: So, just to follow that, would the
25 next part of that statement be that most of the

1 private-label product then is imported product in terms of
2 proportion of total demand in the market?

3 MR. IKER: Yes, it's all coming from China,
4 besides the small portion that we talked about -- or Taiwan
5 or Korea.

6 MS. CHRIST: I think somebody mentioned that the
7 demand used to be more cyclical, but it is less cyclical
8 now. Do you have an explanation why there would be less
9 cyclicity or seasonality now compared to prior years;
10 what's driving that?

11 MR. IKER: I believe I said that. That was an
12 observation being in the industry for as long as I have. I
13 believe probably a shift in our core business away from
14 on-site construction type activity, which is very cyclical,
15 to maybe picking up a lot more industrial accounts that
16 produce year-around, that type of thing.

17 MR. FARON: Can I add to that? On the
18 construction side, the construction now has advanced where
19 you've got better equipment to dig houses and basements and
20 pour concrete where they can put chemicals in concrete where
21 they can pour it when the temperature is colder which allows
22 them to work longer throughout the year. So, changes in the
23 construction applications and some of the modifications to
24 the way they do construction now has allowed it to be a
25 longer cycle and longer building time during the year.

1 MS. CHRIST: And then, a last area that I wanted
2 to touch base was on inventory. So, inventory ends sort of
3 the cyclical and seasonality of product in the market.
4 Would you say that any cyclical for demand for your
5 product, specifically, is that -- would that also be the
6 same for imports, given lag time for shipment?

7 MR. IKER: We build in Cincinnati to order.
8 Because of the velocity that we have on it, we're able to
9 build to order at a pretty rapid basis, the three to five to
10 six, seven, eight kind of window. The problem with imported
11 fasteners is that we have to go out 90 days and we have to
12 carry a lot of inventory, so you can't get those kinds of
13 turns on imported product; whereas, we can do a 25, 26 turns
14 a month on internally-produced product.

15 MR. FORAN: I think what you're looking at -- if
16 I'm wrong, you just -- yes, they have to order more product
17 in based on the busy time of the year. So, when you get
18 into the springtime, they have a tendency to order imports
19 in before they come in -- before the busy time comes in, so
20 they load up inventory. And then as the year kind of winds
21 down going into winter months, they have a tendency to lower
22 some of their inventory coming in.

23 MS. CHRIST: So, would that translate to
24 different types of cyclical throughout the year for the
25 closer U.S. product versus the farther imported product?

1 MR. FORAN: That really doesn't affect our sales
2 at all because they order -- like Chuck said, we build to
3 order. So, when they place orders is when we ship out.

4 MS. CHRIST: Okay. To the extent that you are
5 aware, you mentioned that you don't hold inventory for your
6 customers; is that correct? Did I recollect that correctly?

7 MR. IKER: I'm a little unclear as to what hold
8 inventory for our customers would mean. I mean we produce
9 to order. We carry inventory. Obviously, the key to our
10 business is not holding a lot inventory. Is the question do
11 we set aside specific inventory for specific customers ahead
12 of time? There may be -- to go back to kind of a specialty
13 concept, we don't do quite as much as Acme does, but we do
14 some off-standard production of certain things.

15 I'd say on standard product, no, I don't think
16 we hold specific inventory for specific customers because
17 there's a continuous flow of standard products KS use to the
18 field.

19 MS. CHRIST: Okay. And to the extent that you
20 would know, is that similar for imported product? Do you
21 know if importers hold inventory for specific customers sort
22 of as the bulk of a contract, for example, that they have
23 and they know they're committed to that?

24 MR. FARON: As far as I know, they place their
25 orders and they build to order. They don't hold any of it,

1 as far as I know.

2 MS. CHRIST: Thank you very much. I appreciate
3 that. Those are all the questions I have. And it looks
4 like we might be heading into lunch period, so before we
5 move on -- hold on. I think we have one more question.

6 MR. BOYLAND: Thank you very much. This is a
7 very brief question and it's just something that when we
8 were hearing some of the testimony we wanted to clarify it
9 just a little bit. In response to Ms. Christ's question
10 about the definition of a specialty product from the
11 perspective of Acme, I just want to make clear that the
12 testimony that you've been giving today and the information
13 that you've provided in the questionnaire that although you
14 may produce staples from metals other steel when you've been
15 talking today you're referring to steel staples. Correct?

16 MR. GOLD: Yes, that's correct.

17 MR. BOYLAND: Thank you very much.

18 MS. CHRIST: Thank you very much for the
19 clarification.

20 Before moving on to the next panel, let's take a
21 brief lunch break. I think we'll convene here at 12:45,
22 quarter of 1:00, and start promptly. Thanks.

23 (Whereupon, at 12:12 p.m., a lunch break was had
24 to reconvene at 12:45 p.m.)

25

1 AFTERNOON SESSION

2 MR. BURCH: Will the room please come to order.

3 MS. CHRIST: Welcome back everyone. I hope that
4 was enough time to get some sustenance for the afternoon.

5 Mr. Secretary, are there any preliminary
6 matters?

7 MR. BURCH: Madame Chairman, there are no
8 preliminary matters. I would like to note the panel in
9 opposition to the imposition of anti-dumping and
10 countervailing duty orders are seated and they have 60
11 minutes for their direct testimony.

12 MS. CHRIST: Thank you very much. Welcome to
13 all the panel members. Please begin when ready.

14 MR. SIM: Thank you. Again, for the record, my
15 name is Edmund Sim, of the Law Firm Appleton Luff. I'm
16 joined by my partner, Kelly Slater, and by Sanny Lin, from
17 our client, China Staple Enterprise.

18 We are pleased to provide our reasons why the
19 Commission should terminate this investigation with regard
20 to Taiwan. The Petitioner controls many aspects of this
21 investigation. It controls the timing of the filing of the
22 petition. It defines the subject merchandise. It provides
23 economic performance data. Most importantly here, it has
24 provided the import data based on official U.S. Government
25 statistics.

1 What the Petitioner does not control are the
2 applicable standards of injury and causation which are set
3 forth by the statute. In that statute, Congress has set
4 forth that imports from any source that do not reach 3
5 percent of total imports shall be considered as negligible.
6 It is therefore striking that the data submitted by the
7 Petitioners show that Taiwan has never exceed 3 percent. I
8 direct the Commission to page 25 of the petition and the 16
9 12-month periods of analysis submitted by the Petitioner on
10 negligibility.

11 Of course, as they acknowledge, the 12-month
12 period immediately before the filing of the petition show
13 that Taiwan, which is represented by the orange bars, was
14 less than 3 percent. However, just as striking is the fact
15 that 15 other periods offered by the Petitioner fail to show
16 Taiwan as being over 3 percent. By my math, that's zero for
17 15. That's a big goose egg. A poor performance, no matter
18 how many ways the Petitioner tries to slice the data.

19 Now, Petitioner tries to show that Taiwan will
20 imminently exceed 3 percent. It tries to lump together
21 Taiwan with Korea, even though, as they know, Korea has
22 exceeded 3 percent in 10 out of the 16 periods that they
23 analyzed; whereas, again, Taiwan has never exceeded 3
24 percent in any of these 16 periods, again, the goose egg.
25 This shows that Korea could exceed 3 percent in the future

1 because it's done so in the past. Conversely, it shows that
2 Taiwan will not imminently exceed 3 percent because it has
3 never done so.

4 Moreover, the Petitioner has purported that
5 there is an 85 percent year-on-year increase in imports of
6 the first quarter of 2019, as noted on page 25 of the
7 petition. This is not correct. First, this increase is
8 actually reflected in Taiwanese export that's leaving Taiwan
9 statistics provided in Petition IN-18, not U.S. import
10 statistics, i.e., stuff coming in. Second, the comparison
11 periods are only for the first two months of 2019, not even
12 a full quarter. Third, the reported increases of export
13 quantities are consistent with seasonal increases, which the
14 Petitioner acknowledges exists.

15 Taiwanese exports ship more in the first two
16 months so that the product could arrive during the U.S.
17 construction season during the second and third quarters.
18 It is also necessary to ship in advance of the Pacific
19 typhoon season that starts in midyear. If you look at
20 Petition Exhibit IN-15, the seasonal pattern becomes
21 apparent.

22 I also note that on February 6, 2018, Taiwan was
23 hit by a major earthquake. Okay, it didn't affect their
24 operations, but it affected the whole country. So, in other
25 words, everyone in Taiwan, not just the producers, but the

1 people who fill out customs forms and government data were
2 affected by an earthquake. But this year, Taiwan's been
3 very fortunate not to have such an earthquake and not to
4 have had that affect.

5 So, finally, the Taiwan export data includes
6 both subject and non-subject staples and thus, overstate
7 Taiwanese exports of subject merchandise.

8 Now, the U.S. Customs data, again, as the
9 Petitioner acknowledges, also include both subject and
10 non-subject staples; yet, the U.S. data, the importers data
11 remained the best in dicta for analyzing imports. First,
12 the obvious one, they were generated by the U.S. Government.
13 Second, the U.S. Government data will have greater coverage
14 of imports than the Commission's questionnaire responses,
15 which again, the Petitioner acknowledges, given the short
16 period of time involved to respond.

17 Third, our client's foreign producers'
18 questionnaire response indicates that up to 40 percent of
19 its exports to the United States involved non-subject
20 staples. We believe if you look at the other producers in
21 Taiwan you'll find similar patterns. That means that the
22 U.S. Government data significantly overstate the presence of
23 Taiwanese imports of subject merchandise.

24 Finally, of course, the Petitioner, itself, has
25 pro-offered the U.S. statistics in the petition. Thus, the

1 Commission has been provided with clear and convincing
2 import data generated by the U.S. Government,
3 over-inclusive, over stating the presence of imports from
4 Taiwan which were submitted by the Petitioner itself. These
5 data show that imports from Taiwan are negligible and not in
6 imminent risk of exceeding the 3 percent threshold. As
7 such, imports from Taiwan, when considered individually,
8 cannot be seen as having caused material injury to the
9 domestic industry.

10 I would now like to hand over our presentation
11 to Kelly Slater, of Appleton Luff, who will explain why
12 imports from Taiwan do not threaten the U.S. industry with
13 material injury.

14

15 STATEMENT OF KELLY SLATER

16 MS. SLATER: Good afternoon. My name is Kelly
17 Slater. I'm with Appleton Luff Law Firm and I'm here today
18 joining Ed in representing China Staple Enterprise
19 Corporation, a Taiwanese producer and exporter of both
20 subject and non-subject staples.

21 As Ed mentioned, I'd like to take a moment or
22 two to summarize the threat element of our presentation from
23 a legal standpoint before turning it over to Ms. Lin.

24 The Commission typically considers several
25 factors when evaluating whether the domestic industry is

1 threatened with material injury by reason of subject
2 imports. These factors are as follows: First, whether
3 imports of the subject merchandise are likely to increase;
4 second, whether there is any existing unused production
5 capacity or imminent unused capacity on the part of the
6 foreign industry; third factor, whether there is a
7 significant rate of increase in the volume or market
8 penetration of subject imports indicating the likelihood of
9 substantially increased imports.

10 Next factor, whether the prices of subject
11 imports are likely to have a significant depressing or
12 suppressing effect on domestic prices and are likely to
13 increase demand for further imports. Next, the extent to
14 which there are inventories of the subject merchandise in
15 the foreign industry. And the final two factors are the
16 potential for product shifting in foreign production
17 facilities currently used to produce other products can be
18 used to produce subject merchandise. And finally, the
19 actual and potential negative effects on the existing
20 development and production efforts of the domestic industry.

21 Based on the foregoing factors, it is our firm
22 position based on the evidence presented in the petition, as
23 well as the data submitted for the record otherwise so far
24 and by China Staple that Taiwan does not pose anywhere near
25 a threat of injury to the domestic industry.

1 With that in mind, I would like to turn the
2 presentation over to Ms. Sanny Lin of China Staple
3 Enterprise Corporation, which is the largest producer and
4 exporter of subject staples in this proceeding. Ms. Lin has
5 first-hand knowledge on many of these points. China Staple
6 is also the only Taiwanese producer present today at this
7 hearing, I might add, so her appearance is especially useful
8 if you have any questions about Taiwan's role in this case.

9 Incidentally, I learned just yesterday that this
10 is Ms. Lin's first ever visit to the United States and so I
11 hope you'll join me in warmly welcoming her to Washington.
12 Thank you and I know turn it over to Ms. Lin.

13 STATEMENT OF SANNY LIN

14 MS. LIN: Good afternoon. My name is Sanny Lin.
15 I'm the Assistant Manager of China Staple Enterprise
16 Corporation. China Staple is a small-scale enterprise in
17 the countryside outside of Taichung City in Taiwan. Our
18 factory employees are 50 people and the factory sits on
19 about acre of land. We opened in 1986 and have manufactured
20 staples since then.

21 In the beginning, China Staple sold only to the
22 domestic market in Taiwan. In 1992, we began to sell to the
23 U.S. market. Our company manufactures both CCS and non-CCS
24 staples. CCS staples represent about 60 percentage of our
25 production. The other 40 percentage is non-CCS staples.

1 Today, we primarily export the staples we make to the U.S.
2 and Europe.

3 China Staple has had very high rates of capacity
4 utilization from 2016 to now. Those rates have been in the
5 70 to 95 percentage range. Our overall capacity is stable.
6 Please see our questionnaire response for more details. We
7 have no plan to increase capacity and plan to continue
8 operating at current capacity levels. There are many
9 reasons for it.

10 First, we have no room to extend our factory.
11 Also, we one large U.S. customer who buys almost all of our
12 CCS production and this makes it difficult to add new
13 customers anywhere, including the U.S., the lack of
14 available factory workers in Taiwan where most factory
15 workers are immigrants from Vietnam and the Philippines also
16 make it very difficult to increase capacity.

17 In 2016, the volume of CCS from Taiwan decreased
18 a lot from 2014 and 2015 labels. In 2014 and '15, Taiwan
19 exported around 30,000 metric tons each year, but that level
20 dropped by two-thirds in 2016 and dropped even further in
21 2017 to one-third of what it had been. The volume rose
22 slightly in 2018, but still was only one-half of what it had
23 been in 2014 and '15. We think the reason for this is that
24 price of CCS from Taiwan were much higher than its
25 competitors. Most of these competitors are in China. As a

1 result, the market share of Taiwan staples has been very
2 small and will stay very small.

3 For Taiwan CCS producers the CCS market in the
4 U.S. is seasonal. There are too many reasons for this. The
5 first one is because most construction activities happen in
6 summer vacation -- sorry -- summertime. Also, since summer
7 is the typhoon season in Taiwan, our U.S. buyers want to
8 secure supply of CCS before the typhoon season. This is
9 explains the increase in quantity of CCS from Taiwan in the
10 first two months of 2018 when compared to the first two
11 months of 2019.

12 Regarding prices, our prices are higher than
13 prices of Chinese or Korean CCS. The main reason is for it
14 is raw material cost in Taiwan. The Taiwan Government
15 restricts our ability to source raw wire. We are not
16 permitted to buy it from China and we buy it only in Taiwan.
17 That is not the case for the Korean producer who can buy raw
18 wire from China and have lower costs as a result. Also, at
19 China Staple, our costs are higher than many competitors
20 because we do not have a galvanization license and so we
21 have to pay an outside company to galvanize our wire.

22 At China Staple, we make products to order and
23 keep our inventory levels as low as possible. We work
24 closely with our customers to forecast their needs and
25 produce only as much as they need, not more. This helps to

1 save costs. Also, since our factory is so small, we have
2 very little empty space to store our products.

3 In conclusion, we believe that Taiwan pose no
4 threat of material injury. Taiwan has always been a very
5 small player in the U.S. staple market. We believe that
6 Taiwan will remain so for many years to come for the reasons
7 I explained. Thank you for the opportunity to appear today.
8 I'm happy to answer your questions.

9 MR. SIM: And with that, as I promised, Office
10 of the Secretary, we are done before our 60 minutes is up
11 and would be happy to be take your questions.

12 MS. CHRIST: Thank you very much. I appreciate
13 all of you coming to provide testimony. And welcome, Ms.
14 Lin, on behalf of the panel and myself and the Commission.
15 I welcome you on your first trip here, so I hope that you do
16 have a chance to enjoy something, other than Courtroom B,
17 while you are here. Not that the lights and lamps aren't
18 great, but hopefully, you'll be able to experience something
19 else besides the courtroom.

20 So, we'll go ahead and start with the
21 questionings and the same way, we'll start with Calvin
22 Chang.

23 MR. CHANG: Okay, good afternoon. And I echo
24 Ms. Christ's sentiments. Welcome to the United States and
25 thank you for taking the time to speak with us.

1 So, my first question is relatively simple. So,
2 we've received the questionnaire response from you, as well
3 as from Unicatch (ph), I think, who is another Taiwanese
4 producers. And so, I was wondering -- you could either say
5 now or maybe elaborate in post-conference -- what is your
6 estimate of the share of exports to the United States that
7 these two companies account for?

8 MR. SIM: Okay, one thing I should clarify
9 because I did talk to Sanny about this. In their
10 questionnaire response -- sorry, this is Edmund Sim.

11 In the questionnaire response that China Staple
12 there's a percentage of Taiwan to U.S. sales. That's based
13 on their own production records as a percentage of U.S.
14 imports, so it's -- and as I just said, the U.S. import data
15 is over inclusive. So, the number is actually higher than
16 what's in the foreign producers' questionnaire, so that and
17 the fact that many years ago when I wasn't so large I
18 represented Unicatch, and so I am familiar with Unicatch as
19 a company.

20 My belief, after seeing their data and without
21 saying too much about what Unicatch is reporting in their
22 foreign producer questionnaire, I think you will have the
23 super majority, right, maybe 70 something, whatever,
24 estimate of the Taiwan production of CCS between these two
25 -- with those two companies.

1 MR. CHANG: Okay, so could you provide a more
2 specific number in your post-conference in regards to what
3 percentage of export -- or exports from Taiwan that these
4 two companies account for -- exported to the United States,
5 that is.

6 MR. SIM: We will go into that in the
7 post-conference brief.

8 MR. CHANG: Okay, so I guess another question
9 that I had was can you give me a sense of what -- in Taiwan
10 what the driving forces are for demand for staples?

11 MS. LIN: I think I just heard the question more
12 easier because of -- okay, I think our customers ask
13 qualities of staples and they ask us particular spec of
14 staples and that is -- that cannot be met in China because
15 the raw wire in China is not so stable, so they ask us to
16 produce their production with high quality.

17 MR. CHANG: Okay, I guess what I was trying to
18 ask I guess -- sorry. I apologize if my question wasn't 100
19 percent clear, but I guess I was asking more about the
20 Taiwanese market. And so, in the U.S. it appears that
21 construction and some other elements are reasons why people
22 buy staples. So, in Taiwan, I guess which types of
23 companies purchase staples. And then, I guess, in the
24 future do you see more companies in Taiwan purchasing
25 staples?

1 MS. LIN: You mean the domestic market in
2 Taiwan?

3 MR. CHANG: Correct.

4 MS. LIN: For our domestic market customers,
5 they always buy staples for testing tools or they combine it
6 with the tool and shipping outside. But actually, I have no
7 idea which country they ship -- that is for too.

8 MS. SLATER: Did you understand that? I think I
9 understood what she meant. I can try to rephrase it,
10 perhaps. You can correct me if I'm wrong; would that be
11 alright?

12 MR. CHANG: Sure, yeah.

13 MS. SLATER: The Taiwanese customers in her
14 experience they purchase staples to test staple guns that
15 they are trying to develop for export and so it's not for
16 construction. So, it's not for construction. It's not for
17 constructing homes or factories or things like that. It's
18 for testing equipment that's under development that they
19 want to try to -- not this company wants to try to export,
20 but that her company's customers would like to try to
21 export.

22 MR. SIM: There's not much demand for staples in
23 the construction business in Taiwan because of the
24 earthquakes, seriously. I mean you want to build a wooden
25 house. So, I think the question is -- let me put it to her

1 again.

2 Besides construction, who else would buy staples
3 for use in Taiwan, besides what you said testing? Is
4 furniture, other things, like that's what they said in the
5 U.S. they have construction. They have furniture. Do you
6 also have furniture?

7 MR. CHANG: Like for chairs or beds.

8 MS. LIN: Actually, it's also testing. About
9 the furniture maybe -- I need to double check with our
10 factory about it, but almost for testing and combine -- yes,
11 combined with tools. Yeah.

12 MR. CHANG: Okay. So, one more question I had
13 is, and hopefully, this isn't too confusing. Is there any
14 difference between Taiwanese staples and American staples --
15 yeah, the physical.

16 MR. SIM: You're asking about physical product?

17 MR. CHANG: Yeah.

18 MR. SIM: Well, as the Petitioners said, they're
19 all made to a certain standard. So, individually, a
20 staple's a staple if you fit the spec. So, the question is
21 how long your slides are. That might be different. But
22 fundamentally -- I mean she would probably say that her
23 stuff is better than other people's products, but I think
24 everybody says that. And to be frank, their pride of
25 industry, so beyond that, so do you -- how do you compare

1 your staple to a U.S. staple?

2 MS. LIN: Actually, I'm not clear about U.S.
3 staple because we always make our products based on the spec
4 of our customers, so I have no idea about the U.S. staples
5 their customer want to buy from them.

6 MR. CHANG: I guess my last question is so you
7 mentioned raw material costs as a big reason why Taiwanese
8 staples are more expensive than Korean or Chinese staples.
9 Is there any other factor that contributes to the higher
10 price or is it just the raw material costs?

11 MR. SIM: Okay, so let's hit the raw material
12 costs first. So, first, there is a 1998 or 1999 -- okay,
13 1999 government regulations that prohibits the importation
14 of carbon steel wire rod from China. There is also another
15 one for a related product, but you're allowed to import a
16 very small quantity. So, that means that unlike other
17 regional markets, producers, they can't buy stuff from
18 China, so that increases your raw material costs. I just
19 want to make that clear.

20 Second, as she said in her statement, the
21 factory is very small. So, land cost is very high. Most of
22 this industry they were founded by people who were farmers
23 in the field. Then one day somebody decided that they were
24 going to redevelop the farm into a golf course or housing.
25 So, they got money and they decided to go into a small

1 business. That was 50 years ago. Well, since that time
2 more and more of the farms have been built up and you have
3 less and less land. So, your land cost is higher, which
4 means that your labor cost is higher because people can't
5 afford to work. In a factory, they have to do higher
6 value-added things.

7 The third part is what she mentioned about the
8 workers. They only have 50 workers. Okay, you could fit
9 all of them in this room. And a lot of those workers who
10 are working the factory line they have to get from Vietnam
11 or the Philippines and those are subject to worker permits,
12 so that also increases your costs. So, in large respect,
13 it's not just the raw material cost. It's also the land
14 cost. It's also the labor cost.

15 And as she noted, she can't get a galvanization
16 license. Environmental costs -- people who've been to
17 Taiwan 30 years ago remember that Taiwan was full of grey
18 sky and the water was different colors, whatever. It's not
19 like that now. And that's because the government, as
20 compared to China, has very strict environmental controls,
21 so that's another cost.

22 So, you have, essentially, in Taiwan a middle
23 class country which is dealing with higher material costs,
24 higher labor costs, higher land costs, higher compliance
25 cost for the environment. And in general, that makes it

1 more difficult, increases your cost overall compared to
2 other places in Asia or in the world.

3 MR. CHANG: Okay, so after that very thorough
4 explanation of the cost structure of producing staples in
5 Taiwan, I guess it makes me think, so the -- you mentioned
6 you had one large U.S. customer. Is it safe to assume that
7 the reason why the customer's purchasing staples from your
8 business is not necessarily because of price but because of
9 the quality of the product you offer or you may be able to
10 meet whatever specifications that they outline. Is that a
11 correct assumption?

12 MS. LIN: Our big U.S. customer buy the most
13 staples from us is because the high qualities. And we have
14 a long time cooperation, so they still continue to buy from
15 us.

16 MR. CHANG: Okay. So another question that I
17 had, I think this is for Mr. Sim. I think you were talking
18 about the import/export data. And I think you were
19 referencing the 2015, or earthquake, was it?

20 MR. SIM: 2018.

21 MR. CHANG: 2018, sorry. And saying they had,
22 obviously, not only impacted the staple industry, but sort
23 of the country as a whole. And I think you were talking
24 about the government offices and things of that nature, I
25 guess, then from the perspective -- was it from the

1 perspective of data compilation? I'm just trying to get a
2 sense of what impact you're referring to.

3 MR. SIM: This is Ed Sim. I think it's
4 comparable to the -- okay, it was a lot shorter than the
5 government shutdown, but let's look at a similar event.
6 Your shutdown last year--or was it early this year, I can't
7 remember--and so a lot of things weren't working. So
8 therefore, some functions weren't operating and things got
9 delayed. With them, the earthquake happening was February
10 6, and affected most of the East Coast of Taiwan. So a lot
11 of people were not going to work, things were coming in, so
12 it takes longer to close things.

13 So that's a unique event that affects the
14 jurisdiction as a whole. And so, you know, I'm offering
15 that as one explanation as to why things, you know, you
16 compare, it's, like, if you look at those statistics for all
17 markets, there was an increase, you know, between the first
18 two months of 2018, the first two months of 2019. To me,
19 that shows that, you know, either your base is relatively
20 low, which I think is the case because of the earthquake and
21 other factors, or that you have an increase, which is what
22 they say, because people are shipping more. I think it's
23 more, like, we have a lower base.

24 MR. CHANG: Okay. So I guess, maybe this might
25 not be the right interpretation, but I guess there might've

1 been like a lag or sort of, because, okay, there was a delay
2 in the reporting of product, so that -- in your mind, that's
3 what's sort of skewing the trends that have been presented
4 in the data, is that a correct --

5 MR. SIM: Yeah, that's a fair way of
6 characterizing our argument.

7 MR. CHANG: Okay, so yeah, those are all the
8 questions I have for now. Thank you very much.

9 MS. CHRIST: Thank you. We will now turn to
10 Jessica Oliva, Investigator.

11 MS. OLIVA: Good afternoon. Does Taiwan limit
12 raw steel imports from any other country other than China?

13 MS. LIN: No, we only can buy in Taiwan.

14 MS. OLIVA: Okay, thank you. So, thank you. And
15 that is all for the time being. Thank you.

16 MS. CHRIST: Thank you. We'll now turn to John
17 Henderson, the attorney.

18 MR. HENDERSON: Thank you. And I'd like to
19 welcome respondents' panel and Ms. Lin in particular as
20 well. First, stepping away from negligibility for a second,
21 I would ask the attorneys here whether respondents here have
22 any, whether they accept petitioners' proposed definition of
23 the domestic like product, or do you contest it?

24 MR. SIM: We do not -- Ed Sim -- we do not
25 contest their definition of the like product.

1 MR. HENDERSON: Thank you. And similar question,
2 and perhaps you can address it in your post-conference
3 brief. Do you have a position as to who should be in the,
4 what the domestic industry consists of, and whether any
5 domestic producers should be excluded as related parties.

6 MR. SIM: This is Ed Sim. We have no position on
7 this because it does not affect a negligibility argument in
8 any way.

9 MR. HENDERSON: Thank you. And, again, skipping
10 negligibility for the moment, if the Commission finds
11 notwithstanding your arguments, that subject imports from
12 Taiwan are not negligible now, do respondents contest that,
13 or have any position as to whether, for present injury
14 analysis, whether imports from Taiwan should be cumulated
15 with imports from China and/or Korea.

16 MR. SIM: You're talking about from a material
17 injury and not a threat point?

18 MR. HENDERSON: Right.

19 MR. SIM: Okay. Again, we take no position on
20 this. Our position is strictly on the negligibility.

21 MR. HENDERSON: Thank you. Now, for purposes of
22 the Commission's analysis of threat of material injury, and
23 we already heard Ms. Slater address some of the substance of
24 that, do respondents here have any position or arguments
25 with respect to whether subject imports from Taiwan should

1 be cumulated with subject imports from China and/or Korea
2 for purposes of the threat analysis?

3 MR. SIM: Ed Sim. We would take the position
4 that, again, going back to their nice graph on Page 25, we
5 have a goose egg. Taiwan has a goose egg, no time over 3%,
6 whereas Korea, 10 times out 16 was above 3, so that makes
7 them a different of exporter than Taiwan. And of course,
8 China's way above that. So, in other words, the trends show
9 that Taiwan versus Korea and China are going at a different
10 rate, or they have a different situation, and we would say
11 that Taiwan should not be cumulated with Korea and China,
12 should we go to a threat analysis.

13 MR. HENDERSON: Thank you. And we heard
14 petitioners make some arguments with respect to
15 negligibility for threat analysis and, for example, they
16 raised the question of the relationship between the
17 Taiwanese producer, China Staple Enterprise Corporation, and
18 a Chinese firm. And can you, Ms. Lin or the counsel address
19 this relationship and how it might relate to the arguments
20 that petitioners are raising for negligibility purposes?

21 MR. SIM: Ed Sim. We do not represent the
22 Chinese company with the same name. We do understand, and
23 under the definition under the statute, that they are
24 affiliated. And that's what's been reported in the
25 questionnaire responses. Without going into their foreign

1 producer questionnaire data, we understand that they have
2 largely cut back their exports to the United States. And
3 again, for the reasons we talked about earlier, that there
4 are prevents, they can't buy wire rod from China.

5 You have anti-circumvention and anti-fraud
6 measures being imposed on the Taiwan government to prevent
7 diversion from China to Taiwan. And so, even though there
8 is this factory in China that has a relationship due to
9 family with her company, that is a separate operation. They
10 can't bring that in as Taiwan product in any event.

11 And so, you know, and frankly, if I understand
12 it, the customer base of the China factory is very different
13 from the customer base of her factory. So I would say that,
14 based on everything we -- summing up all the factors as
15 discussed, I don't think it's very likely that there would
16 be any diversion from the China factory to the Taiwan
17 factory.

18 MR. HENDERSON: Thank you. And, as I say, since
19 the petitioners have already raised this issue, I would
20 encourage you -- I mean there are obviously things you may
21 not be comfortable addressing in this forum, but could
22 address in more detail in the post-conference brief.

23 And one other question, I don't know that it's
24 been raised, but--and again, it may be something to be
25 addressed in the post-conference brief--the question of

1 whether, you know, since we've already heard discussion
2 about how, I think, that the plan in Taiwan that both
3 in-scope merchandise and out-of-scope merchandise are
4 produced in the same facility or the same company, the
5 question of, to what extent and, obviously, there could be
6 product shifting to be producing more of the in-scope rather
7 than the out-of-scope merchandise, and how that might affect
8 -- shifting from producing out-of-scope merchandise to more
9 in-scope merchandise and how that might affect the
10 negligibility analysis. Again, if that's something, if you
11 have something to say now, that would be helpful, but
12 certainly in more detail --

13 MR. SIM: This is Ed Sim. I think that affects
14 the threat analysis, rather than negligibility. I would say
15 that, again, the customer that buys the non-subject
16 merchandise is the same customer that buys the subject
17 merchandise. So if you shift it over, you're not serving
18 the customers' needs for the non-subject merchandise.
19 Second is, it's a small factory, fifty people.

20 So, even if they did shift over, slightly to
21 subject, it's not a lot, and you know, again, without going
22 too much into details, even you look at the underutilized,
23 the unused capacity in the company, you're talking, like,
24 less than five containers a year. So I don't think that
25 would affect the market. So, my point would be that there

1 is no incentive to shift from non-subject to subject because
2 they're buying the same product. And so we don't view this
3 as being an issue with regard to threat.

4 MR. HENDERSON: Thank you. That's all I have for
5 now.

6 MS. CHRIST: Thank you. We'll turn to Aimee
7 Larsen, the Economist.

8 MS. LARSEN: Good afternoon. Thank you for your
9 testimony and welcome to D.C. First question I have -- so
10 you mentioned that the Taiwanese raw material costs are
11 generally higher than the other subject countries. Can you
12 describe what the raw material price trend has been during
13 the period of investigation? Has it remained relatively
14 stable? Or has it increased?

15 MS. LIN: The cost of railroad is going up and
16 it's year-by-years.

17 MS. LARSEN: Okay. And how is that affected your
18 selling price? Are you able to pass on that raw material
19 cost increase into your prices?

20 MS. LIN: Truly speaking, because every time we
21 want to increase our price, our customer didn't agree about
22 it, so we -- all we can do is to decrease our profit and to
23 continue the operation with our customers. So the price
24 maintains for many years.

25 MS. LARSEN: Okay. So let me make sure I

1 understand. And if you don't wanna mention it here and if
2 you wanna do it in the post-conference brief, that's okay.
3 For this large customer that you have, the sale prices have
4 remained flat throughout the period? Or have they declined?
5 Again, maybe this might be better for the post-conference.
6 The pricing data that we have is -- there's missing data
7 there, and so if I could get any kind of description, maybe
8 on the foreign producers' side, what the sale prices are
9 looking like, that might be useful for us.

10 MR. SIM: Yeah, we'd be happy to do that in the
11 post-conference brief.

12 MS. LARSEN: Wonderful, thank you. My next
13 question, Ms. Lin, let me make sure I understood this right.
14 Did you say that the Chinese wire rod is not very consistent
15 with the quality, and so therefore the Taiwanese staples are
16 of better quality because of the raw material input? Did I
17 hear that right?

18 MS. LARSEN: The Chinese wire rod is what has
19 lower quality, or is it the actual staple?

20 MS. LIN: It's the wire rod off Chinese--the
21 quality of wire rod in China is not very average. So the
22 production maybe has 50 percent to fail the inspection. So
23 that we cannot use--we cannot--we can match the request of
24 our customers high qualities. That also we don't want to
25 use the wire rod, but also we cannot buy it from China.

1 MS. LARSEN: There seems to be some potentially--
2 and maybe I'm misunderstanding--mixed testimony about
3 whether or not staples is a commodity, a product they make--
4 as long as they fit the specifications, they are easily
5 interchangeable.

6 I'm curious to know if there's any kinds of
7 differences between the subject sources that purchasers see
8 in terms of quality, or maybe some other characteristics?

9 MR. SIM: Ed Sim. I think you would need to ask
10 the purchasers about that. I mean, as I said, she thinks
11 her stuff is the best stuff on earth, and I'm sure if you
12 ask any proud manufacturer they will say the same thing.

13 But as far as the customer's view, I think you
14 need to get that from the customers. And I apologize that
15 they're not here, but that's the situation that we have.

16 MS. LARSEN: Do you offer private labeling
17 services? Do you do any kind of private labeling for
18 perhaps a large customer?

19 MR. SIM: Okay--Ed Sim--what is private labeling,
20 as you define it? Because she's not clear as to what you're
21 referring to.

22 MS. LARSEN: When you're producing a product that
23 doesn't carry your brand name on it, but you'll put a name
24 that the firm would like to have of their own product
25 packaging.

1 MS. LIN: Yes, all our products are OEM.

2 MR. SIM: In other words--Ed Sim--they're not
3 selling anything under the term "China Staple." They're
4 selling under the brand of the customer. The customer is an
5 importer. So that's what she means by OEM. So if you buy a
6 box of the customer's staples, it will have the customer's
7 name but it won't have their name. So in that regard,
8 everything they have I private label.

9 MS. LARSEN: Right. And then when packaging that
10 product, do you have a standard package you use. Obviously
11 with this relationship that you've built up, it's a standard
12 package for the private label? Okay.

13 I think that's all my questions right now for
14 this time.

15 MS. CHRIST: Thank you. We'll turn to David
16 Boyland, the accountant.

17 MR. BOYLAND: Good afternoon. Thank you for your
18 testimony, and welcome to the United States.

19 In your testimony--you may have said this and I
20 didn't hear it--but was the facility actually impacted by
21 the earthquake in 2018?

22 MR. SIM: No, because the earthquake was on the
23 east coast of Taiwan. The factory is on the west coast of
24 Taiwan. So our point about the earthquake is not that it
25 affected production operations, but it affected the

1 functioning of the Taiwanese Government and the economy.

2 MR. BOYLAND: Got it. Thank you very much. I
3 have no further questions.

4 MS. CHRIST: Thank you. We'll turn to industry
5 analyst Allison Thompson.

6 MS. THOMPSON: I have no questions at this time.

7 MS. CHRIST: Well turn to Doug Corkran,
8 investigator.

9 MR. CORKRAN: Thank you very much. And thank you
10 very much to the panel. We very much appreciate you
11 presenting testimony here, and for the long distance that
12 you've traveled as well to be here. We are very
13 appreciative.

14 Can you tell me a little bit more about the
15 staples that you export to the United States? Are they all
16 galvanized? Or are some of them sold non-galvanized? What
17 type of characteristics do the staples have that you export?

18 MS. LIN: Actually staples are all galvanized
19 because they need to resist rust--

20 MR. CORKRAN: That makes sense, particularly with
21 ocean transport. That makes a lot of sense.

22 What about in terms of size range? We've talked
23 about how this product ranges from 15 gauge to 19 gauge.
24 What is the size range of the staples that you export to the
25 United States?

1 MR. SIM: Could you repeat the question, please?

2 MR. CORKRAN: Certainly. When we were talking
3 with this morning's panel, we talked about the range of
4 sizes of the staples. And they ranged from 15 gauge to 19
5 gauge. So in terms of the staples that you export to the
6 United States, do you export all of those gauges? Do you
7 export just some of them? What's the size range that you
8 export?

9 MS. LIN: Maybe we need to double check and
10 describe in the brief.

11 MR. SIM: Postconference brief.

12 MR. CORKRAN: Thank you. No, that's very
13 helpful. I appreciate that.

14 Can you describe your main competitors for sales
15 of staples in the Taiwan market, other producers in Taiwan
16 that you compete against either for sale within the Taiwan
17 market, or in your export markets?

18 (Pause.)

19 MS. LIN: Actually we are the biggest
20 manufacturer in Taiwan. So as we know other factory is to
21 U.S. market is very, very small quantities, and this time we
22 have asked several factory. They even less than one
23 percentage of our capacity.

24 MR. CORKRAN: How familiar are you with competing
25 staples that are produced in Korea or China? That is, do

1 you find yourself competing with Chinese or Korean staples
2 in the Taiwan market? Or, to the extent that you know, do
3 you find yourself competing with Korean or Chinese staples
4 in the U.S. market?

5 (Pause.)

6 MS. LIN: In our Taiwan market, there are
7 products made in China, but actually I think there is no
8 products made in Korea.

9 MR. CORKRAN: Thank you very much. This has been
10 tremendously helpful. I really appreciate your testimony.
11 And with that, I have no further questions.

12 MS. CHRIST: Thank you. Are there any follow-up
13 questions?

14 MR. HENDERSON: Thank you. Mr. Sim, just to go
15 back to your opening statement where you were addressing the
16 statements in the Petition regarding the reported or
17 purported increase in imports from Taiwan in early 2019 as
18 compared to 2018, and you were making two points, one with
19 respect to the earthquake in 2018, which was obviously
20 discussed, and I'm sure the date and center of the
21 earthquake is easily documented, but I wondered if there was
22 more information about how that affected the government, the
23 economy, the ability to ship product on the record, that
24 would be helpful.

25 And second, if you were making a point about the

1 season trends, construction, and would be interested again
2 in what are those trends? I thought I heard Ms. Lin make a
3 reference to trying to ship before the typhoon season, but
4 if we're trying to interpret monthly data it would be
5 helpful to know what those trends are.

6 MR. SIM: Ed Sim. So first for the earthquake,
7 Wikipedia. Second, for typhoons in 2018, Wikipedia. I
8 would say that if you look at Wikipedia, and also some of
9 the data from the Weather Channel, you would see that
10 typhoons start up in May or June every year. It does
11 disrupt the supply chain a bit.

12 Now with regard to seasonality, of course the
13 Petitioner said it especially for the importers, and not so
14 much for them, but to some extent. Construction season is
15 the big consumer of the staples. So you need to get those
16 into the U.S. by the second or third quarters. So of course
17 there is a need to get everything out the door in the first
18 quarter so that from Taiwan it takes about a month to get
19 from Taiwan to the U.S. So you will have sort of a ramp up
20 that is reflected in the import statistics on the U.S.
21 side.

22 So you look at second quarter, third quarter, you
23 have an increase from first quarter. Well where did that
24 stuff come from? That came from Taiwan in the first
25 quarter. So that's another reason why you will see

1 historically in that exhibit the first quarter from Taiwan
2 you have more--not so much. But the second quarter from
3 Taiwan, you have increase in Taiwan products arriving in the
4 U.S. So it means it had to leave Taiwan in the previous
5 quarter.

6 MR. HENDERSON: Thank you.

7 MS. CHRIST: Thank you. Are there any other
8 questions?

9 (No response.)

10 MS. CHRIST: Again, I want to reiterate our thank
11 you, and welcome.

12 I just had one additional question. To the
13 extent that you answer now, if not postconference brief is
14 fine. I just wanted to get some idea of the role of this
15 large U.S. customer that you have.

16 Have you over the period, have you had more
17 customers? What's the evolution of your customer base?
18 This may be the largest one, but have you always had one
19 large? And have you been having more customers, more U.S.
20 customers?

21 MR. SIM: Yeah--Ed Sim--this obviously has to be
22 done in the postconference brief. Thank you.

23 MS. CHRIST: And also in postconference brief, if
24 that's what, based on your knowledge of the Taiwan industry,
25 if that's is what's sort of driving the other producers as

1 well as a single customer, or a large customer with fairly--
2 with specific requirements, rather than sort of a broad
3 spectrum, or just sort of feeding the U.S. market. I'd
4 appreciate if you could put that in the postconference
5 brief.

6 I think that's it. Thank you very much. We will
7 move on to closing remarks, rebuttal and closing remarks.

8 MR. BURCH: Closing rebuttal remarks on behalf of
9 those in support of imposition will be given by Adam H.
10 Gordon of the Bristol Group. Mr. Gordon, you have ten
11 minutes.

12 CLOSING REMARKS BY ADAM H. GORDON

13 MR. GORDON: Madam Chairman, members of the Staff,
14 having sat here for quite a few hours now, I would say that
15 nothing has changed from when we walked in.

16 The data before the Commission in our Petition
17 demonstrates significant underselling across all pricing
18 products. You have an extraordinary pattern or increased
19 imports over the Period of Investigation and SENCO exhibits
20 multiple indicia of material injury. The big question that
21 appears to be here right now is one of ineligibility with
22 respect to Taiwan.

23 Let me offer a few observations in that regard.
24 From the Respondents own comments, they are a nearly wholly
25 export oriented company who focuses on the United States

1 market, who has 40 percent of their production capacity
2 available to shift from production of non-Subject staples to
3 Subject staples if warranted. They acknowledge having a
4 Chinese affiliate who they then duck and try to ignore.
5 That's a bit incredible in my opinion.

6 They claim to have no plans to increase capacity,
7 but they don't need it because they can shift 40 percent of
8 their production to Subject staples. It may be even easier
9 because they say they have the same customer or customers
10 for all their products so they wouldn't even have to go get
11 new customers. They can move production from China or move
12 sales from China to Taiwan and then rededicate Chinese
13 Production to production in non subject goods.

14 I would also say that if I understood Mr. Sim
15 correctly, he indirectly acknowledged that the -- as I think
16 even the Staff acknowledged that the questionnaire responses
17 are in many cases incomplete. You have a very poor response
18 rate.

19 To sort of reference the standard applicable for
20 a negative determination in the prelim, I don't think
21 there's any question that you can have a better record
22 leading to more information in the final of this proceeding
23 particularly with respect to negligibility.

24 As we said before, the poor record is a matter of
25 the Respondents' own creation, not the Commission Staff's,

1 not the Petitioners. We think it is impossible under these
2 circumstances to render a negative determination from a
3 negligibility determination with respect to Korea and
4 Taiwan.

5 So overall we would largely rest on our testimony
6 and answers to questions. I would like to thank the
7 Commission Staff for their work in this. I know it was a
8 quick start for everyone. We appreciate the professionalism
9 and the thoroughness that you have all shown in wading
10 through our Petition and asking some very good questions.
11 Thank you very much.

12 MR. BURCH: Thank you, Mr. Gordon. Closing and
13 rebuttal remarks on behalf of those in opposition to
14 imposition will be given by Edmund Sim of Appleton Luff.
15 Mr. Sim you have ten minutes.

16 CLOSING REMARKS BY EDMUND SIM

17 MR. SIM: Thank you. We'd like to thank the
18 Commission Staff and the Commission itself for allowing us
19 to make our presentation here. You have better data.
20 You've always had the better data. That comes from customs,
21 which sends it to Commerce, which sends it to you. It's
22 based on HS codes, HDS-US codes which you came up with.

23 So the data are there. There is better data
24 because it came from the U.S. Government. And to the extent
25 that there is any distortion, it's distorted upwards. As we

1 said before, yeah, he says that we can make subject
2 non-subject but that also affects the data of the import
3 data coming into the United States.

4 A lot of that, 40 percent, maybe more depending
5 on what the questionnaire data say, a lot of that's
6 non-Subject. So therefore, all the analysis, everything in
7 page 25, everything I've talked about, 3 percent. You know
8 I've been waving the fingers in the air, you know like 3, 3
9 -- that's all based on U.S. Government data. It's
10 over-inclusive.

11 So my point is that you have a complete record.
12 You have a complete record that is actually over inclusive
13 and if anything is distorted in favor of the petitioner
14 because it exaggerates the quantity coming from Taiwan. So
15 to the extent under the American land did you have to look
16 at this and look at clear convincing evidence, you haven't.

17 They came up with it. this came from the
18 Commerce Department. It came from Customs. You have in
19 front of you. You can make a decision based on that. You
20 don't need to go to a final investigation in regard to
21 negligibility because you already have the data.

22 Now, you know, I understand you may need to go to
23 Final Investigation with regard to China and Korea and as I
24 said, we have no problem with that. That's the prerogative
25 of the Commission should it decide to continue the

1 investigation with regard to those two countries but with
2 regard to Taiwan, it's been less than 3 percent based on
3 data that the U.S. Government came up with.

4 That's based on data that customs gave to
5 Commerce, gave to you, gave to them, they used it. So based
6 on the information, less than 3 percent were negligible.
7 Were not a threat. Again, you look at the Period over the
8 last two years. Sixteen occasions, that's to put it in
9 baseball terms, sixteen at-bats, zero hits. Goose egg,
10 okay. That's like trying to bat against Matt Churzer.
11 Can't hit it. None.

12 So my point is that evidence is a lack of threat.
13 This is a small company, okay. They are a large exporter
14 but again with the small size, fifty people an acre. Their
15 factory is probably about the size of the ITC building. So
16 is that really a threat by itself together? I would say it
17 should be together. It shouldn't be cumulated. It's by
18 itself. Taiwan, not a threat.

19 So all-in-all, the reason why I asked Sandy to
20 come over is to put a human face to what usually in these
21 cases you always get like the lawyer talking away and a
22 lawyer, you've seen me last week, you'll see me next week
23 but you don't see her. You don't see the representative of
24 50 people in a small factory in the middle of a rapidly
25 changing farm district near Tai Chung in Central Taiwan.

1 That's who you have.

2 So I hope that after our presentation, not from
3 the lawyers but from her. You understand that this is
4 really a threat? This really caused injury to the U.S.
5 Industry, to a giant multinational? No.

6 So we thank you for your time, it's about two
7 o'clock so hopefully you all get to do some work after this
8 and we get to go home and write our briefs. We thank you
9 very much for giving this your attention and we look forward
10 to the Commission's analysis and the preliminary
11 determination. Thank you.

12 MS. CHRIST: Thank you. On behalf of the
13 Commission and the staff I would like to thank the witnesses
14 who came here today as well as Counsel for helping us to
15 gain a better understanding of the product and the
16 conditions of competition in the collated steel staples
17 industry.

18 Before concluding, please let me mention a few
19 dates to keep in mind. The deadline for submission for
20 corrections to the transcript and for submission of
21 post-conference briefs is Tuesday, July 2nd. If briefs
22 contain business proprietary information, a public version
23 is due Wednesday, July 3rd.

24 The Commission has tentatively scheduled its vote
25 on these investigations for Friday July 19th and will report

1 its determinations to the Secretary of the Department of
2 Commerce on Monday, July the 22nd. Commissioners' opinions
3 will be issued on Monday, July the 29th. Thank you all for
4 coming. This conference is adjourned.

5 (Whereupon at 1:52 p.m., the hearing was adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Collated Steel Staples from China, Korea, and Taiwan

INVESTIGATION NOS.: 701-TA-626 and 731-TA-1452-1454

HEARING DATE: 6-27-19

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: 6-27-19

SIGNED: Mark A. Jagan

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
Proofreader

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.

SIGNED: Larry Flowers
Court Reporter