

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
IRONING TABLES AND CERTAIN) 731-TA-1047 (Final)
PARTS THEREOF FROM CHINA)

OPEN SESSION

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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Wednesday,
 June 16, 2004

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

The hearing commenced, pursuant to notice, at 9:31 a.m., before the Commissioners of the United States International Trade Commission, the Honorable DEANNA TANNER OKUN, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DEANNA TANNER OKUN, CHAIRMAN
 JENNIFER A. HILLMAN, VICE CHAIRMAN
 MARCIA E. MILLER, COMMISSIONER
 STEPHEN KOPLAN, COMMISSIONER
 CHARLOTTE R. LANE, COMMISSIONER
 DANIEL R. PEARSON, COMMISSIONER

APPEARANCES: (cont'd.)

Staff:

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COORDINATOR
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In Support of the Imposition of Antidumping Duties:

On behalf of Home Products International, Inc.:

CHARLES F. AVERY, JR., Senior Vice President,
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PETER GRAVES, Vice President Sales, Home Products
International, Inc.
JOE DEPPEN, Vice President, Manufacturing, Metal
Technology, Home Products International, Inc.
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In Opposition to the Imposition of Antidumping Duties:

On behalf of Whitney Design, Inc.; Polder, Inc.; and
Harvest International Housewares, Ltd.:

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MARK BROWN, Vice President, Finance, Whitney
Design, Inc.
CALVIN SCOTT, President, Polder, Inc.
RON HO, Managing Director, Harvest International
Housewares, Inc.
RICHARD BOLTUCK, Economist, Charles River
Associates, Inc.

APPEARANCES: (cont'd.)

In Opposition to the Imposition of Antidumping Duties:

On behalf of Whitney Design, Inc.; Polder, Inc.; and
Harvest International Housewares, Ltd.:

WILLIAM E. PERRY, Esquire
J. PATRICK BRISCOE, Esquire
Garvey Schubert Barer
Washington, D.C.

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P R O C E E D I N G S

(9:31 a.m.)

1
2
3 CHAIRMAN OKUN: Good morning. On behalf of
4 the United States International Trade Commission, I
5 welcome you to this hearing on Investigation No.
6 731-TA-1047 (Final) involving Ironing Tables and
7 Certain Parts Thereof From China.

8 The purpose of this investigation is to
9 determine whether an industry in the United States is
10 materially injured or threatened with material injury
11 by reason of less than fair value imports of subject
12 merchandise.

13 Before we begin, I would note that the
14 Commission has granted a request from Respondents to
15 hold a portion of this hearing *in camera*. We will
16 begin with the public presentations by Petitioners and
17 Respondents. We will then have a 10 minute *in camera*
18 session by Respondents, followed by a 10 minute *in*
19 *camera* rebuttal presentation by Petitioner if so
20 desired.

21 Only signatories to the APO will be
22 permitted in the hearing room during the *in camera*
23 session. Following the *in camera* presentations we
24 will resume with public rebuttal and closing remarks.

1 Schedules setting forth the presentation of
2 this hearing, notice of investigation and transcript
3 order forms are available at the Secretary's desk.
4 All prepared testimony should be given to the
5 Secretary. Do not place testimony directly on the
6 public distribution table.

7 As all written material will be entered in
8 full into the record, it need not be read to us at
9 this time. All witnesses must be sworn in by the
10 Secretary before presenting testimony. I understand
11 that all parties are aware of time allocations. Any
12 questions regarding the time allocations should be
13 directed to the Secretary.

14 Finally, if you'll be submitting documents
15 that contain information you wish classified as
16 business confidential, your requests should comply
17 with Commission Rule 201.6.

18 Madam Secretary, are there any preliminary
19 matters this morning?

20 MS. ABBOTT: Yes, Madam Chairman. Vice
21 Chairman Hillman?

22 VICE CHAIRMAN HILLMAN: I would only want to
23 note for the record and for everyone in the room that
24 today marks the final day that Chairman Okun is
25 serving as the chairman of the Commission, and I just

1 wanted to take this minute to congratulate her on the
2 superb job that she has done running this agency and
3 the extremely fair and careful and thorough job she
4 has done in presiding over each and every of the many
5 hearings that the Commission has had during her two-
6 year tenure as our chairman.

7 Our congratulations to her on this, the
8 final day of her chairmanship.

9 CHAIRMAN OKUN: Thank you very much, Vice
10 Chairman Hillman.

11 (Applause.)

12 CHAIRMAN OKUN: Let me just say thank you,
13 and thank you particularly to my Commissioners, both
14 old and new, who are here. I've had a tremendous two
15 years working with all of you and very much appreciate
16 the support and advice you've given me throughout
17 these two years.

18 Also, I'll just take a moment to thank you,
19 Madam Secretary, Mr. Bishop and the other members of
20 the Secretary's staff who have helped throughout my
21 chairmanship in putting together hearings, meetings
22 and everything else that goes with the job and to all
23 the staff I've been able to work with. It's been a
24 pleasure.

25 I would also just want to note in the middle

1 of that and not related, but we do have four visiting
2 staff members from the Korea Trade Commission here
3 today visiting the ITC on a training program for the
4 Department of Commerce and ITC, and I do also want to
5 extend my special welcome to them and hope that they
6 have an informative visit while they're here.

7 If there is no other business, we will now
8 go to opening remarks.

9 MS. ABBOTT: Opening remarks on behalf of
10 Petitioner will be made by Frederick L. Ikenson, Blank
11 Rome.

12 CHAIRMAN OKUN: Good morning, Mr. Ikenson.

13 MR. IKENSON: Good morning, Madam Chairman.
14 Madam Chairman, members of the Commission and staff,
15 I, too, would like to share the Vice Chairman's
16 congratulatory remarks to you, Madam Chairman, for
17 your excellent stewardship, if I may be permitted to
18 say so.

19 I am the attorney for the Petitioner, Home
20 Products International, Inc., also known as HPI. The
21 Petitioner is the last remaining U.S. producer of
22 floor standing, metal top ironing tables. We believe
23 that the domestic industry producing floor standing
24 ironing tables has been materially injured and is
25 threatened with further injury by reason of the

1 subject imports.

2 Over the period of this investigation,
3 imports have soared. Imports increased from 575,000
4 units in 2001 to 1.5 million units approximately in
5 2002 and again increased to approximately 2.5 million
6 units last year.

7 While I am somewhat constrained by the
8 administrative Protective Order, I can say that the
9 import growth has been explosive, whether examined in
10 absolute terms or relative to U.S. production or U.S.
11 shipments, both of which have dropped dramatically.
12 In a word, the import volume and import growth have
13 been significant.

14 Respondents dispute the significance of this
15 import volume and growth by suggesting that imports
16 were largely accounted for first by Whitney Design,
17 who, according to the Respondents, was merely
18 substituting ironing tables from China to service the
19 same customer base it has served when it had been a
20 U.S. producer and, second, by high end products which
21 Respondents claim HPI has not made and has no interest
22 in making.

23 The Respondents' efforts to relegate the
24 flood of imports to something less than significant
25 just doesn't work. First, non-Whitney Design imports

1 were huge, and it is evidence that Whitney Design
2 marketing activities have not been as benign as they
3 suggest.

4 Second, there is nothing to suggest that an
5 unduly high percentage of imports is concentrated at
6 the high end. On the contrary, there is every reason
7 to believe that imports are overwhelmingly in the high
8 volume/low end segment where HPI is most affected. It
9 is also not the case that HPI has not made high end
10 ironing tables.

11 With respect to price effects, when properly
12 analyzed, imports have undersold the domestic
13 industry's most critical product, the OPT or opening
14 price point T-leg. This is true for both the
15 perforated top T-leg and the mesh top T-leg. HPI
16 makes and sells both of them.

17 Any suggestion that HPI does not have the
18 interest in making and selling mesh T-legs is
19 demonstrably false. The majority of the Petitioner's
20 T-leg sales has been of the perforated type, and
21 indeed many of its customers, including extremely
22 large retailers, purchase only perforated top ironing
23 tables.

24 Some customers have purchased both types
25 from HPI, and a few have purchased only mesh top. The

1 number of HPI's mesh top T-leg sales has been
2 relatively low not because of disinterest on the part
3 of HPI, but because dumped mesh top T-legs from China
4 have been cheaper.

5 As for the impact of dumped imports on the
6 domestic industry, we see what has happened to its
7 production, shipment, market share, employment, sales
8 and profits. All these indicators have plummeted
9 during the period of investigation. They all
10 necessarily had to fall in response to Chinese import
11 growth. Chinese ironing tables were virtually the
12 only other ironing tables in this market except for an
13 inconsequentially small number of very high end tables
14 from Europe.

15 Finally, there continues to be a threat of
16 future injury. Based on a record that ended a year
17 earlier in the first quarter of 2003, the Commission
18 found a reasonable indication of a threat of injury.
19 Given numerous adverse conditions in both the U.S. and
20 in China, including rapid and significant import
21 volume and market penetration, likely price depression
22 and suppression, increased foreign capacity, ability
23 of Chinese producers to engage in product shifting and
24 declines in various indicators of industry well-being.

25 None of these conditions abated, but in fact

1 over the complete year 2003 greatly worsened for the
2 industry. The gloomy scenario described by HPI during
3 the preliminary phase has come true and has certainly
4 been playing out as predicted.

5 Respondents claim that we have nothing to
6 worry about because based on a rather stale document
7 they say freight costs are rising. They have fallen
8 since that time and, of course, full year 2003 was a
9 banner year for China's imports with very little cause
10 for comfort to us.

11 CHAIRMAN OKUN: Mr. Ikenson, I just want to
12 remind you that your red light has been on.

13 MR. IKENSON: I have one final closing
14 sentence if I may.

15 CHAIRMAN OKUN: Okay.

16 MR. IKENSON: The Respondents are claiming
17 that China's steel costs are rising and, therefore,
18 the Chinese imports pose no basis for a threat because
19 of that.

20 In fact, the startling, if not earth-
21 shaking, developments over the past few months in the
22 steel consuming community has been that prices of hot-
23 rolled and cold-rolled steel sheet in the United
24 States have been soaring while prices for such inputs
25 in China have been dropping.

1 Thank you. Thank you for indulging me.

2 CHAIRMAN OKUN: Thank you. As we are often
3 reminded, there is never a one-minute sentence from a
4 lawyer.

5 MS. ABBOTT: Opening remarks on behalf of
6 Respondents will be made by William E. Perry, Garvey
7 Schubert Barer.

8 CHAIRMAN OKUN: Good morning, Mr. Perry. If
9 you can turn your microphone on?

10 MR. PERRY: My name is William Perry of the
11 law firm Garvey Schubert & Barer, and I'm here
12 representing Whitney Design, Polder and Harvest in
13 this case.

14 I would like to start with a quote by Mr.
15 Bradley, the economist for HPI, at the end of the
16 preliminary conference. "Today in our presentation we
17 didn't even talk about the issue. It's not a major
18 part of our theory of the case, and it's not an
19 essential part of our injury argument."

20 That issue was the closure of Whitney's U.S.
21 production facilities. How the times have changed.
22 As you can see from page 1 of HPI's prehearing brief,
23 their major argument has completely changed in the
24 final investigation. HPI now argues that there are
25 drastic declines in U.S. market share, sales,

1 production, capacity, capacity utilization, shipments,
2 employment, et cetera, et cetera. All these trends
3 are based on including Whitney's data in the domestic
4 industry. Apparently the lag didn't happen. HPI
5 didn't get hit as bad as it said it would in the
6 preliminary.

7 Why didn't HPI concede this point at the
8 preliminary conference? Because as Whitney testified
9 at the preliminary conference and will testify today,
10 it was HPI that drove the prices into the ground long
11 before the Chinese showed up, in effect driving
12 Whitney Design out of business.

13 Whitney had to close its U.S. factory not
14 because of the Chinese, but because HPI had driven the
15 prices so low in the U.S. market that Whitney could no
16 longer make a profit producing ironing tables with its
17 old production facility.

18 Not only did HPI drive the prices down in
19 the past, as Whitney will testify; HPI continues to
20 drive the prices down in the USA market today. This
21 is highly unusual. As Whitney will testify, it has
22 raised its price to WalMart, the single largest
23 purchaser of ironing tables in the United States, at a
24 time when HPI was significantly lowering its U.S.
25 price to WalMart.

1 Understand, there are only two competitors
2 at Walmart, Whitney and HPI. Whitney's price is going
3 up. HPI is lowering theirs down. HPI is the price
4 leader, not the Chinese.

5 Why? Why? In their brief they say it's not
6 logical. We can only think maybe they're trying to
7 feign injury. Maybe they're trying to play with their
8 stock price because they're trying to take it over.
9 We don't know, but this is a very unusual situation.

10 Whitney had to raise its U.S. prices not
11 because of antidumping duties. Its supplier in Sinck,
12 which has a very low dumping margin in the preliminary
13 determination. Whitney raised its price to WalMart
14 because prices for raw material and ocean freight from
15 China are shooting up like a rocket, as high as 70
16 percent for Chinese steel, the primary raw material in
17 ironing tables in China.

18 In addition, HPI's arguments that a mesh top
19 T-leg ironing board commands a premium over a perf top
20 T-leg ironing board simply does not wash. Although
21 certain retailers do prefer the mesh top ironing
22 board over the perf top ironing board, keep in mind
23 that at WalMart those products are sold side-by-side
24 or really at the same price point, so certain
25 consumers prefer it, but at the end user level the

1 prices are the same.

2 The point again is where is the
3 underselling? Where is the causation? Finally, as
4 both Whitney and Polder will testify, internet
5 auctions no longer have the significance in the U.S.
6 market that they had at the time of the preliminary.
7 In fact, Whitney has not seen an internet auction in
8 nine months.

9 Why? A retailer simply cannot evaluate
10 quality with a blind internet auction. The retailer
11 wants to buy value, not simply the lowest price, and
12 that cannot be done with a blind internet auction.
13 Polder in fact has won at internet auctions not with
14 the lowest price, but because he sold the best value
15 for the dollar.

16 Regarding the high end products, I should
17 mention that the reason why this came up at the staff
18 conference, the staff asked HPI what are you
19 importing, and they said well, we're importing the
20 high end product from China. That's where the high
21 end product came up.

22 Finally, look at the data and see whether
23 there's any indication in all of the pricing data
24 before you to confirm the existence of the delayed
25 reaction implementation lag postulated by Petitioner's

1 economist, Professor Bradley. Do you see it? Look at
2 the pricing data and look at who's the price leader in
3 this case. We'll look at all those questions today.

4 Thank you very much.

5 CHAIRMAN OKUN: Thank you.

6 Madam Secretary, if you could please call
7 forward the first panel?

8 MS. ABBOTT: The first panel in support of
9 the imposition of antidumping duties, please be
10 seated.

11 All witnesses have been sworn.

12 (Witnesses sworn.)

13 CHAIRMAN OKUN: Welcome again to all of you.
14 Mr. Ikenson, it looks like all members of your panel
15 are seated. You may begin.

16 MR. IKENSON: Thank you, Madam Chairman.
17 Good morning again. I'd like to begin just by
18 introducing my colleagues, and then they will begin
19 their testimony.

20 CHAIRMAN OKUN: If you could just move your
21 microphone a little closer to you as you do that,
22 please?

23 MR. IKENSON: Surely. On my immediate left
24 is Peter Graves, Senior Vice President of Sales at
25 HPI. At his left is Joe Deppen, Vice President,

1 Manufacturing, Metal Technology, at HPI, and at my far
2 left is Professor Michael Bradley of George Washington
3 University.

4 Immediately behind me is my colleague,
5 Roberta Dagher, of our law firm, and on her left is
6 Charles Avery, Senior Vice President of Finance at
7 HPI.

8 Thank you.

9 MR. GRAVES: Good morning. My name is Pete
10 Graves. I'm the Senior Vice President of Sales for
11 Home Products International. I've been with our
12 company 23 years, the last eight of which I've held
13 the position of the chief sales officer.

14 We manufacture and market a variety of
15 consumer housewares products, including ironing
16 tables. About 200 people work in our ironing table
17 facilities in Seymour, Indiana, some of them for over
18 35 years. We entered the ironing table segment in
19 1997 with the acquisition of Seymour Housewares, the
20 market leading producer of ironing tables.

21 We've been making ironing tables in our
22 facility in Seymour, Indiana, since 1947. The
23 facility made artillery ammunition cases during World
24 War II. Like many other manufacturers involved in
25 metal fabrication, we transitioned postwar into

1 consumer products. Our product portfolio was very
2 consistent with our metal fabricators -- bed frames,
3 step stools and ironing tables.

4 Over the years, most of the other companies
5 either exited the ironing table segment or were
6 acquired by other companies. The ironing table market
7 is a mature one. It's a slow growth category.
8 Ironing table production is very capital intensive, so
9 no new manufacturers entered the market.

10 To remain a viable ironing table producer, a
11 manufacturer must be prepared to make capital
12 investments in machinery, for equipment repairs and
13 for new products. It's an expensive proposition to be
14 in the ironing table business, and over the years most
15 companies chose not to stay in a capital intensive,
16 slow growth business, and again it wasn't attracting
17 any new suppliers so by the late 1980s there were two
18 remaining ironing table manufacturers, HPI and Whitney
19 Design.

20 The U.S. consumer ironing table market is
21 not elastic. It does not expand dramatically when
22 lower priced ironing tables are introduced into the
23 market. It's not a multiple purchase category.
24 People don't stock up on ironing boards when they go
25 on sale.

1 Consumer purchases are event driven, closely
2 tied to new home creation. Consumers buy an ironing
3 table when they need one, and they last a long time.
4 Consequently, the U.S. market is very stable and
5 predictable. It's over five million units annually
6 growing at less than four percent per year.

7 I can give you a quick primer on the
8 products. I'm going to ask my colleague, Joe Deppen,
9 to assist me. First of all, these products are
10 defined as full-size, floor standing ironing tables.
11 The legs unfold to stand on the floor, and the ironing
12 surface of a full-size would be 13 to 18 inches wide,
13 48 to 54 inches long.

14 There are a couple points of distinction in
15 full-sized ironing tables. The open price point
16 segments are almost always what we call the T-leg
17 design. The trade up model at a slightly higher price
18 would be a four-leg design.

19 The top surface of the opening price point
20 tables are historically a perforated steel top like
21 Exhibit 1. The other option would be an expanded
22 metal or mesh top like Exhibit 2. Historically the
23 mesh surface was offered as a trade up feature to help
24 differentiate the products in a good/better/best
25 offering. We manufacture and offer both styles in our

1 product line.

2 Full-sized floor standing ironing tables
3 comprise the vast majority of the market because they
4 offer the best function for a power user. You can
5 erect the product and put it where you want to iron,
6 be it in front of the TV, in the laundry room, in the
7 basement, wherever, and you can close the table and
8 put it away when not in use.

9 The other products outside the scope are
10 quite different in function. The over-the-door board,
11 Exhibit 3, is not floor standing, but intended to be a
12 space saving device for apartment dwellers, for
13 example.

14 Obviously you can't move the board to where
15 you want to iron. You have to iron behind the door
16 you have mounted it to. It's a specialized product.
17 There aren't really good/better/best grade levels
18 within the segment. It's a unique function much like
19 ironing boards that pull down from a wall-mounted
20 cabinet.

21 The other items, Exhibits 4 and 5, are
22 countertop models, much smaller, for use by occasional
23 ironers. The ironing surface is limited. They aren't
24 suitable for power users. Exhibit 4, the wood top
25 model, is really bare bones, low end, and the upgrade

1 to that, which Joe is holding, Exhibit 5, employs an
2 expanded metal or mesh top for better ironing surface.

3 As a full line supplier, we offer these
4 specialized items for our customers, but they are
5 niche products and not considered viable substitutes
6 for full-size, floor standing ironing tables.

7 Getting back to the ironing table market,
8 over the years we did attain and maintain the leading
9 market share position through new product development
10 and a reputation for consistent quality and delivery
11 performance with some strategic acquisitions along the
12 way.

13 Our trade customers are very concentrated at
14 the mass market level with a vast majority of sales
15 occurring with the major discount chains. The
16 historic pricing to these customers is relatively
17 stable. Suppliers would have annual line reviews with
18 their customers, and there would be normal price
19 competition for business. As with all of our
20 products, we price our products fairly and
21 competitively. We are in business to turn a profit
22 and price our product sensibly.

23 Our company paid \$100 million to acquire
24 Seymour Housewares, and it wouldn't make sense to give
25 products away that it historically had sold

1 profitably. I would say we have the same issues as
2 other companies selling their wares to a concentrated
3 group of national chains. Competition is intense with
4 so much of the market controlled by so few customers.

5 Our approach is to be a capabilities based
6 supplier offering quality products backed by
7 outstanding service as part of a broad portfolio of
8 consumer housewares products. Simply put, our
9 strategy is to be a more important supplier to our
10 customers rather than simply a provider of ironing
11 tables.

12 We incurred the normal increases in
13 production costs over the years for labor, benefits,
14 energy costs, raw materials, et cetera. These
15 increases were offset by continuous improvement and
16 increased production efficiencies. We automated as
17 many functions as possible in our production.

18 Historically there was very little importing
19 of ironing tables into the U.S. market due to
20 prohibitive freight costs. European tables have been
21 a factor, but only at the high end of the market.
22 These were ironing tables with larger ironing surfaces
23 and other high end features.

24 Chinese imports were a small factor up until
25 2001. Similar to European models, they first became a

1 factor at the high end of the market. The unit
2 volumes at the high end are lower, and capital
3 investments to automate the production of these lower
4 volume models in our facilities would not be cost
5 effective so we began importing higher end models from
6 China like the other domestic producer, Whitney
7 Design.

8 HPI developed an import strategy to focus on
9 the low-cost production of volume selling models in
10 our U.S. facilities and source some higher end models
11 to meet the requirements of key customers that offered
12 proprietary branded programs.

13 Whitney Design closed their U.S.
14 manufacturing facility in the spring of 2002 and moved
15 all of their production to China. By this time, we
16 were seeing startling lower prices offered by many
17 Chinese suppliers.

18 Throughout 2002, our retail customers
19 challenged our selling prices. Retailers held several
20 on-line bid events between December 2001 and the end
21 of 2002. These events allowed real time participation
22 by Chinese manufacturers, and the selling prices
23 plunged in these events.

24 As an incumbent supplier in an event like
25 this, you had no choice but to significantly reduce

1 your price or lose your market share. In some cases,
2 we were able to hold onto our business at much lower
3 prices. In other cases we lost our business to the
4 Chinese imports. It wasn't a situation where
5 competitive products were unique or innovative. It
6 was primarily a price consideration for the trade
7 buyers.

8 I have a timeline of events that illustrates
9 the sales and revenue losses incurred since December
10 of 2001. In December of 2001, a major retailer held
11 an open bid event for a subsequent year's quantity of
12 ironing tables, four models. As a result, the Chinese
13 manufacturers unseated the incumbent U.S. producers.
14 Significant lost sales for HPI started the following
15 year.

16 July of 2002, a major retailer challenged
17 HPI's selling price on a volume product citing Chinese
18 manufactured competition. HPI capitulated on price to
19 retain market share, but incurred significant revenue
20 loss effective August of that year.

21 Also in July of 2002, a major retailer held
22 an open bid event for a 12 month quantity of ironing
23 tables, five models. HPI was the incumbent supplier
24 on two of those models. We agreed to a selling price
25 reduction to retain market on one model and were

1 unseated by a Chinese manufacturer on the other.
2 Significant sales and revenue loss to HPI starting in
3 2003.

4 In August of 2002, a major retailer
5 challenged HPI's sale price on two high volume
6 products citing Chinese manufactured competition once
7 again. HPI capitulated on price to retain market
8 share with a dramatic price reduction on one model.
9 Significant revenue loss starting the following year.

10 December of 2002, a major retailer held an
11 open bid event for a 12 month quantity of full-size
12 tables, four models. We were unsuccessful in bidding
13 with domestically produced products. We also were
14 unsuccessful in bidding with Chinese manufactured
15 products.

16 A major retailer held another open bid event
17 for 2003, promotional quantities of ironing tables in
18 December of 2002. HPI participated in that event as
19 the incumbent supplier. We were unsuccessful in
20 bidding with domestically produced products and were
21 forced to bid using Chinese manufactured product. We
22 were awarded the business at a selling price below the
23 equivalent domestic product manufactured cost.

24 For the full year of 2003, due to the
25 implementation lag, HPI felt the impact of major

1 customers' purchase decisions made during the 2002 bid
2 event. All major business indicators declined --
3 production and shipments, sales and profits, employees
4 and hours worked.

5 In the first quarter of 2004, as a result of
6 the Commerce Department's preliminary antidumping
7 margin determination, we have seen some relief in
8 price negotiations with major customers.

9 To summarize the injury, the U.S. market for
10 ironing tables was supplied predominantly by U.S.
11 producers until 2001. Selling prices were generally
12 stable. The number two ironing table producer ceased
13 U.S. manufacturing in the spring of 2002 moving its
14 production to China. Retailers conducted several open
15 bid events during 2002 for ironing tables. Other
16 retailers challenged HPI on price. All HPI
17 competitors in these events were Chinese producers.

18 We incurred significant sales and revenue
19 losses in the 24 month period December 2001 to
20 December 2003. We have seen some relief in the first
21 quarter due to the Commerce Department's preliminary
22 antidumping margins.

23 The rapid influx of Chinese imports became a
24 real issue for our company. I consider it my
25 responsibility as the chief sales officer of the

1 company to maintain adequate production levels to
2 sustain cost effective manufacturing, and 2002 we were
3 seeing our sales impacted, our workforce and man hours
4 reduced, our profits significantly eroded all as a
5 result of imports from China.

6 Our company has taken major steps at our
7 facilities in an attempt to remain competitive. We've
8 made capital investments to improve efficiency and
9 reduce product cost. We have downsized facilities,
10 laid off workers and reduced man hours to the point
11 where three to four day work weeks are not uncommon.

12 Without protection by an antidumping order,
13 the future of our ironing table business is clear; a
14 continuation of what we experienced beginning in 2002
15 -- continued price erosion, lost sales and market
16 share and severe revenue losses to maintain share.

17 We will see production levels continue to
18 fall and product costs increase as our cost base is
19 spread over fewer units. Capital investments won't
20 offer a payback, so new product development will dry
21 up. Finally, I see a decision to close our facilities
22 and follow our competitors to China for 100 percent of
23 our production.

24 In closing, I would like to reiterate that
25 our company has been manufacturing ironing tables at

1 our facilities in Seymour, Indiana, for over 50 years
2 and hopes to continue to do so for many years to come.

3 Thank you.

4 CHAIRMAN OKUN: Thank you.

5 MR. BRADLEY: I'm sorry. This technology
6 hasn't gotten to the classroom yet.

7 My name is Michael Bradley, and I'm a
8 Professor of Economics at George Washington University
9 here in Washington, D.C. I thank you for the
10 opportunity to appear today and to allow us to present
11 some of the important facts in the case.

12 In my time before you, I'd like to really do
13 three basic things. I'd like to talk about what the
14 salient facts are in this case, I'd like to suggest
15 how those facts fit together, and then I'd like to go
16 over three points I think would be very helpful or I
17 hope will be very helpful to the Commission in
18 reviewing the record.

19 Let's begin by talking about some of the
20 basic facts. I really think a most important,
21 dramatic -- whatever word you want to put on it --
22 change that occurred in the U.S. ironing table market
23 since 2000 has been unquestionably the dramatic
24 increase in imports of Chinese ironing tables.

25 As Mr. Ikenson said earlier, it's without

1 controversy that we've had huge increases. They've
2 gone from under 600,000 units to 2.5 million units,
3 which on a percentage basis is a 450 percent increase
4 and so that's really what's changed the landscape of
5 the U.S. market.

6 How did they do it? Dramatic increase in
7 sales. How did that come about? Was it about a
8 rapidly growing U.S. market? What was the phenomena
9 that occurred? Quite logically, the way they did it
10 is the way most people enter a new market -- with
11 advantageous pricing. They entered a new market, the
12 U.S., by providing domestic retailers, U.S. retailers,
13 with good pricing.

14 If you look at their data, Chinese imports
15 are selling now and last year at prices well below
16 historical levels. To put that in context, you have
17 to recognize that the total consumption of ironing
18 tables in the U.S. market has been pretty stable.
19 There's some fluctuation year to year, but we see
20 neither trends upward nor trends downward.

21 That's an important implication. The first
22 implication that's important is the domestic
23 manufacturers were not losing sales because of
24 declining demand. It wasn't as if ironing tables were
25 falling at 10 percent or 15 or 20 percent a year and

1 they were losing sales. Demand has been stable.

2 On the flip side, it also means that
3 declining prices have not expanded the market. You
4 haven't seen a rapid growth in ironing board sales as
5 prices have come down.

6 Finally, of course, if you think about it,
7 the first slide shows that Chinese imports are rising.
8 Our second point shows that the total consumption of
9 ironing tables has been about the same, so that has to
10 mean, without question, Chinese imports are
11 essentially replacing domestic production more or less
12 -- more or less -- a one-to-one replacement.

13 What's that mean? Of course, mathematically
14 the Chinese imports' market share has grown rapidly
15 during this period of time, and that's what the data
16 supports.

17 Let's put these pieces together. These are
18 the basic facts -- rapid increase in Chinese imports,
19 low prices, total stable consumption demand, increased
20 import market share. Let's put these facts together
21 and think about what they mean. What scenario do they
22 tell us?

23 Well, let's start out with U.S. conditions.
24 You've got stable domestic consumption. That's the
25 predicate for all the economic interactions over the

1 period of investigation. Add to that price
2 depression, entry pricing, if you will, by Chinese
3 imports to come into the U.S. market, accompanied by,
4 as you saw from the data, rapidly rising imports.

5 Those three pieces together would suggest
6 that in the classic scenario we would expect to see
7 import share going up, domestic share falling with
8 lower prices, lower revenues and lower units sold,
9 right? If the import share is going up, clearly the
10 domestic share is going down.

11 What have we seen? Well -- we've seen
12 dramatically rising import market share, and we have
13 seen lost sales and lost revenues by the domestic
14 industry.

15 So as a result, we are really in a situation
16 to suggest that the scenario of prediction of forecast
17 from our preliminary we said came true.

18 Now, I have been getting credit for creating
19 these so-called implementation lag idea, and let me
20 just suggest to you that it's a great title, but it's
21 really not a complicated idea. All we are getting at
22 here is, as Mr. Graves pointed out, in the ironing
23 table industry you have these line reviews where the
24 iron board manufacturers will come into the retailers
25 and do similar to this, lay out their products and

1 make a sales pitch.

2 Shortly after that the retailers will
3 indicate who won that line review. Let's say that
4 occurs in December 2003. The point is that the
5 shipments associated with that line review will not
6 actually take place until April, May, June, July 2004.
7 That's why we are able to foresee what was going to
8 happen in 2003.

9 We knew what happened in the line reviews in
10 the year at auctions in 2002. It was very easy to see
11 that as a result of those decisions imports would
12 rise, and the domestic industry would lose sales.

13 So what did we actually see in the 2003
14 data? We saw that the producer had the litany: lost
15 sales, lower production, lower employment, lower
16 profits, lower revenue and so forth. So,
17 unfortunately for HPI, we foresaw exactly the future.

18 So I think that gives us an idea of how the
19 basic facts work and what was going on in the ironing
20 table market over a period of time. And let me then
21 turn my attention just to three points I would like to
22 suggest that I think would be helpful in going through
23 the information that we had before.

24 Oh, I'm sorry, I forgot. I apologize. I
25 wanted to finish up with our scenario with the first

1 quarter of 2003. Excuse me. I forgot that. Let's
2 think of what has happened since the end of 2003,
3 because our scenario went through the end of 2003.
4 What's happened in the first quarter of 2004?

5 Well, as you know, Commerce issued its
6 preliminary antidumping results showing positive
7 margins. And indeed, from HPI's perspective that's
8 had an impact. They have noticed and they talked to
9 retailers. Retailers are aware of that. It's clearly
10 reduced importers' ability to undersell as they were
11 in 2002 and 2003.

12 In addition, it puts HPI in the position of
13 being more competitive, and they have received, you
14 know, feedback from the retailers indicating more
15 interest in their sales as a result, as a result of
16 the preliminary dumping determination.

17 Price depression does remain. Prices have
18 not recovered back to their pre-Chinese import days,
19 and as I said earlier, indeed steel prices have been
20 rising, and HPI also has been raising their prices,
21 but it's hard because, you know, once auto industries
22 and others have found out, once you push prices down,
23 customers, particularly big, powerful retailers, are
24 hesitant to let you push those prices back up again.

25 They have done it somewhat, but clearly

1 their price increases haven't yet gotten up to their
2 costs.

3 Okay, so now I'm at the point where I want
4 to talk about those three things.

5 The first one is, you know, although you
6 will hear -- you have heard differently and you will
7 hear differently -- HPI has not driven down prices.
8 It just hasn't. I mean, factually that's not true.
9 HPI, you look at their data, their records that show
10 that they haven't been driving down prices. They
11 didn't drive down prices prior to the appearance of
12 Chinese imports. Their pricing has been stable, and
13 they haven't driven down prices since. You know, it's
14 not there yet.

15 I will admit they have lowered prices since
16 mid-2002, but that's clearly in response to challenges
17 they have gotten from retailers indicating that they
18 want HPI to stay competitive or they are going to lose
19 business. They have lost business. Their share is
20 down. Of course they have had to lower prices to
21 match the market to try to keep share, but they
22 haven't lowered prices to gain share. The share is
23 down. Again, there is no incentive for them to lower
24 prices.

25 Remember, before Chinese imports appeared

1 they had a very large market share. When they cut
2 prices, they cut prices on all of that share, so that
3 means they are losing revenue on 70 percent to try to
4 gain revenue of 30 percent. The numbers don't work.
5 It doesn't make sense for them.

6 Moreover, predatory pricing only works if
7 you can keep the competitors out. It doesn't work.
8 Our indicators has no big barriers to entry. It's not
9 high tech, there is no secret. But predatory pricing,
10 they didn't follow it. It didn't make sense. Exactly
11 as I suggested, HPI has been losing, not gaining,
12 market share. They are not price leaders. They are
13 not aggressively trying to get larger. They are
14 trying to survive and stay where they are. So that's
15 point number one. HPI really just has not driven down
16 prices.

17 Point number two, the threat of injury is
18 real. It's real and it's severe, and it's not
19 something made up. It's not something they are trying
20 to do to manipulate the stock price. It's a real
21 threat to the company.

22 There appears to be large and growing
23 capacity in China. The very fact that they could
24 increase their imports from, you know, 1 million to 2
25 million in just a year suggests there is very large

1 capacity to produce there.

2 Secondly, our information is the Chinese
3 industry is an export-oriented industry. HPI believes
4 that, you know, the ironing table market in China
5 compares to the outward orientation of the particular
6 industry, and HPI is vulnerable.

7 As you know from their submissions, they
8 have had a rough couple of years. This is what's
9 called an increasing returns to scale industry. You
10 lower your unit costs by producing more. As they lose
11 sales, units sold, it's hard for them to sustain their
12 unit costs. They tend to go up. Yet they have
13 undertaken productivity increases, engineering
14 improvements. They have worked hard to try to stay
15 competitive. I don't deny it.

16 But nevertheless as that market share gets
17 lower and lower and lower, it really puts HPI in what
18 I call the danger zone. You know, a fancy name, but
19 the idea is they are getting to the point where it's
20 going to be difficult for them to cover their variable
21 costs, so the threat is real.

22 Lastly, let me just suggest a little bit
23 about how I would suppose looking at the underselling
24 that's going on in the data. The first thing to think
25 about is, as Mr. Graves said earlier, the demand in

1 the ironing board sector is really concentrated in
2 three large retailers, and these three firms really
3 account for the vast majority of the purchases, and
4 that has implications because it says we can track
5 what's going on prices, and it's saying that's where
6 the action is. That's where prices are driven in the
7 ironing table market.

8 Obviously, the price competition among these
9 big retailers is intense. If you are supplying one of
10 these big companies, you have to be very sensitive to
11 their requirements or their needs, and the price
12 competition is intense.

13 So that's where I would suggest that the
14 Commission focus its attention for understanding what
15 is driving prices in this market. Look at it all,
16 absolutely, but that's where the action is, that's
17 where it's driving price.

18 Secondly, before the import surge, it's
19 important to keep in mind that we have two periods
20 here, one before and one after. Before the import
21 surge is when we had the price hierarchy that we
22 talked about in our brief.

23 As Mr. Graves said, you know, there is the
24 opening price point sector, and then there is the
25 step-up, or you know, the higher end models.

1 Within the opening price sector you have the
2 two types he pointed out, the perf top, which is more
3 or less solid, and the mesh-top. Historically, before
4 the Chinese imports came with their very low prices,
5 the mesh-top sold at a premium to the perf top, and
6 there could be a variety of reasons why that may be
7 true, but that is what's true, that's what the data
8 show.

9 Yet the Chinese make mesh-top, and when they
10 brought them in at low prices they confounded the
11 structure, and I would agree that this structure
12 doesn't exist today as it did before the low pricing
13 occurred.

14 The other thing that's important is the
15 step-up, which is four legs, it has more steel, more
16 stable board, the four-leg model was always priced
17 above the opening price point, quite logically. And
18 again, introducing Chinese imports, that's dropped.

19 Okay, the last point I would like to make is
20 we believe that in this case the direct exports that
21 occur are really comparable to the import sales, and I
22 want to suggest that the Commission turn its attention
23 then carefully for two reasons.

24 One, both sides agree that these imports are
25 an important part of the story. They are sufficiently

1 big and important, that you have got to look at them
2 as part of what's going on in the economics of the
3 ironing table market.

4 Secondly, it's our understanding that the
5 direct import prices really are inclusive of all costs
6 getting it to the domestic facility, so it's not like
7 these costs have to be adjusted up for ocean
8 transportation or inland transportation. They
9 essentially are the cost to the domestic facilities.
10 And they may not be perfectly comparable, but they are
11 pretty close, and we think that we would suggest to
12 the Commission that they look at that closely.

13 That's what I have to say. I thank you very
14 much for your attention, and Mr. Deppen now will talk
15 to you about some of the technology associated with
16 ironing board production.

17 CHAIRMAN OKUN: Thank you.

18 MR. IKENSON: Madam Chairman, may we have a
19 time count, please?

20 CHAIRMAN OKUN: Madam Secretary?

21 MS. ABBOTT: Thirty minutes elapsed, 30
22 minutes remaining.

23 MR. IKENSON: Thank you.

24 MR. DEPPEN: Good morning. My name is Joe
25 Deppen, and I am the Vice President of Manufacturing

1 for Home Products International. I am based in
2 Seymour, Indiana. I have been with the company for 33
3 years, and I am the one who is in charge of production
4 of the ironing tables in question today.

5 I would like to spend a few moments just
6 taking you through some things that we have already
7 talked about a little bit, but going a little further
8 in detail in the ironing tables that you have before
9 you here this morning.

10 Exhibit 1 is a perf-top ironing table that
11 we produce in Seymour, and as well the mesh-top
12 ironing table that we produce in the facility there as
13 well. The only difference between the perf-top
14 ironing table and the mesh, Exhibit 1 and Exhibit 2,
15 is the perf-table is produced -- the top portion, the
16 ironing surface is produced on a stamping press, a
17 400-ton press that stamps out this perforated top.
18 Every time the press trips, and we have a continued
19 process there, we get an ironing surface, or a
20 completed top.

21 Whereby with the mesh table the table itself
22 is a two-part top. The ironing surface is we have a
23 rim that's formed on the rim rolling machine, and a
24 rim forming machine that forms it into the shape of
25 the ironing table, and then we have a production

1 operation that produces this expanded metal. It takes
2 a piece of cold-rolled steel that's about 15 inches
3 long, and expands it into a 54-inch or a 48-inch top.
4 A lot of folks think these are blank caps, these
5 little holes in the mesh-top are blank caps, but they
6 are actually stretched to make these cuts, and then
7 the steel cutting is stretched into the mesh that
8 forms the tables.

9 That mesh portion is then ran through a
10 straightener and a flattener and makes sure the iron
11 surface is perfectly flat, and then the mesh is placed
12 inside this rim and it's crimped or mashed in so that
13 it stays inside the framework of the ironing table,
14 and that's the basic difference between the mesh-top
15 and the perf-top table.

16 All the other components that you see here
17 on these two ironing boards are exactly the same. The
18 technology for producing these two are very similar.
19 They are equivalent.

20 The legs you see, these other components we
21 call ribs, hangers, slide bar, hinge bar, all of these
22 components that we produce are exactly the same on
23 both of these ironing tables.

24 Exhibit 6 I have, if you took a close look,
25 this is a Chinese-produced opening price point ironing

1 table, and if the Commission took a close look at this
2 ironing table, they could see that there are number of
3 patches on here where the mesh has been patched
4 together, and this is an ironing board that was
5 purchased locally in Indiana, near our factory from a
6 large retailer, and we do that periodically; bring in
7 competitive products and evaluate them, look at them,
8 and compare them to our products.

9 And I only bring this to your attention to
10 show that the surface is not level on this ironing
11 table, and there are a number of points on here that
12 are not supposed to be touched, sharp points and
13 things like that. And how that occurs, in China a lot
14 of the manufacturers produce their ironing tables with
15 a lot of manual operations. They are a lot more
16 manually oriented than what we are in the U.S. We are
17 more mechanized, more automated, and our process flows
18 are much more refined than what those are in China.

19 The components that we have on our ironing
20 tables are all de-burred. They go through processes
21 where we do a de-burring operation, we take sharp
22 edges of the product, so consumers would not be
23 injured in any way from a cut or something like that.

24 Now, some of these enhancements, I want to
25 show you all the ironing tables that we recently

1 incorporate in our products, and again this is in both
2 of our products. The ironing table itself, we have
3 begun powder coating the top so a lot of ironers use a
4 lot of steam or they use a lot of water when they iron
5 their product, so when you powder coat this we give it
6 a much more durable finish to prevent it from rusting
7 and things like that in the ironing process over a
8 period of years.

9 Also, we have enhanced the leg. The t-
10 formation on our legs here, we have put stronger,
11 longer rivets in through here, and we have increased
12 not only the quality of this, but also the aesthetic
13 appearance of the ironing table.

14 We developed what we call a more ergonomic
15 latch release lever, if you will, where the consumer
16 now when they try to find the latch release lever
17 under the ironing table a lot of times they have to
18 get down, grope, and find that little lever. We have
19 improved the appearance of it as well as the finding,
20 if you will, of this handle, and it's a little cover
21 over it also. It's just much more easier to find and
22 to open and close the ironing table than what it was
23 previously.

24 Also, we have put the caps that we have on
25 the tips now are put on with an automatic machine.

1 Previously we had to put these on manually by hand,
2 and in doing that it was very difficult to get those
3 caps real tight, so now we have a machine that applies
4 these caps automatically, and the caps are now non-
5 removable, so you can scrape them on the floor and
6 they won't come off of the ironing table.

7 In addition, we have incorporated a leg lock
8 on this ironing table so that if you carry it from
9 room to room the ironing table legs won't fly out,
10 fall down in front of you, you could trip over them or
11 something like that. It keeps the legs up in place so
12 that they will not fall down.

13 So these are just some of the enhancements
14 or improvements that we have made to our product over
15 the years.

16 I would just like to add in summary the
17 process of perf and mesh. We sell, of course, a great
18 number of the perforated top is by far the volume that
19 we sell, and we manufacture in our facilities in
20 Indiana. But we have also customers that prefer the
21 mesh product, and we make mesh product as well there
22 in our facility.

23 The number of years that we have worked on
24 ironing tables since 1947, we have had continuous
25 process flow, continuous product improvements, and I

1 have been with the company, as I said, for 33 years,
2 and have seen a lot of changes over those years, a lot
3 of improvements that we have made to our product. And
4 we have manufacturing repeatability in that with the
5 mechanization and the automation and the improved
6 process flows that we have incorporated in our company
7 in the production of our mesh and perf-top ironing
8 tables have allowed us to have a quality product that
9 is repeated over and over through this manufacturing
10 repeatability.

11 I thank you for your time and for your
12 attention.

13 CHAIRMAN OKUN: Thank you.

14 MR. IKENSON: That concludes our opening
15 testimony.

16 CHAIRMAN OKUN: Well, thank you, and before
17 we begin our questioning let me take this opportunity
18 to thank each of the witnesses for appearing here this
19 morning to help us better understand your industry.
20 We very much appreciate your taking the time to be
21 with us.

22 I might ask Mr. Ikenson, if you can -- I
23 can't see you guys over these ironing boards, I might
24 just ask you to move those maybe, and we will have an
25 opportunity to look at those at the break as well.

1 And with that Commissioner Pearson will
2 begin our questioning this morning.

3 COMMISSIONER PEARSON: Thank you, Madam
4 Chairman, and welcome to the panel. I must say this
5 is an industry in which I have only some peripheral
6 experience as a consumer, and no in depth knowledge
7 other than what I am gaining now.

8 Let me begin with a question for Professor
9 Bradley. You indicated toward the start of your
10 presentation that total consumption of ironing tables
11 has been stable.

12 Do you have access to the confidential
13 material that's contained in the C tables of the
14 staff's report?

15 MR. BRADLEY: I do.

16 COMMISSIONER PEARSON: Okay. As I look at
17 Table C-1, I don't see the U.S. consumption quantity
18 as being stable. Rather, I am seeing it as declining
19 over the three years for which we have complete data,
20 plus the relevant comparisons for the interim period.

21 How does that square with your assertion
22 that demand is stable?

23 MR. BRADLEY: I don't know how much I can
24 say numerically in the public hearing, but I would
25 suggest this response; that it's clear that the

1 responses to the Commission's request from importers
2 is limited. There are some importers who did not
3 provide responses in the final phase, and some that,
4 it's my understanding did not detract down.

5 And it's our belief that those importers
6 have a nontrivial amount of imports. So my notion on
7 stability is that it's our belief that imports are
8 understated in the latter periods. And if you would
9 add in those imports to the ones that are already on
10 the record, it may not be -- the 2003 may not be
11 exactly same the same as the 2001, but it would be
12 within, you know, one or two percentage points.

13 COMMISSIONER PEARSON: And so you are saying
14 that the way the data are compiled. If the ITC staff
15 are missing some imports, then the estimate of U.S.
16 consumption quantity would be lower?

17 COMMISSIONER PEARSON: Right. Apparent U.S.
18 consumption is the sum of domestic shipments plus
19 import shipments. That's what defines domestic
20 consumption. And if that import shipment size was
21 understated, then total consumption would be
22 understated.

23 We don't have an independent measure of
24 consumption from those two measures.

25 COMMISSIONER PEARSON: Madam Chairman.

1 CHAIRMAN OKUN: Yes.

2 COMMISSIONER PEARSON: Am I permitted to ask
3 the staff a question at this point?

4 CHAIRMAN OKUN: Seeing no objection, go
5 ahead.

6 COMMISSIONER PEARSON: Could I inquire of
7 the staff the procedure for compiling the data on U.S.
8 consumption quantity? Can you explain whether the
9 point that Professor Bradley is raising, is that
10 correct or is that not entirely accurate?

11 MR. CORKRAN: Douglas Corkran, Office of
12 Investigations.

13 Commissioner Pearson, in collecting the data
14 we identified both the U.S. producers and the U.S.
15 importers. The U.S. importers from a variety of
16 sources: those identified initially in the petition,
17 those identified through foreign producer
18 questionnaires, and companies identified through
19 information from other government agencies.

20 We then -- in the final phase of this
21 investigation we sent questionnaires to all known
22 importers, and our consumption data is, as noted, a
23 combination of domestic shipment data and U.S. import
24 data both as collected through the questionnaires. We
25 believe that we have all known domestic production.

1 We do believe that U.S. imports are somewhat
2 understated. We have one known importer that has not
3 responded, and one company that there is reason to
4 believe has imported that could not be contacted,
5 although they were identified by name.

6 Compared to the responses that we have, we
7 don't believe that the importers represent a
8 substantial portion of the total universe of imports.

9 COMMISSIONER PEARSON: But they could
10 represent enough so that if they were included in the
11 data that there might not be more than a percentage or
12 two decrease in demand as Professor Bradley has
13 mentioned?

14 MR. CORKRAN: Given that the decline in
15 apparent consumption is not by an extremely large
16 percentage point, even now, that could be correct;
17 yes, sir.

18 COMMISSIONER PEARSON: Thank you, Mr.
19 Corkran. I appreciate that clarification, and thank
20 you to the Chairman for that indulgence.

21 Shifting gears, respondents have argued that
22 the Commission's like products and industry definition
23 should include the over-door ironing boards produced
24 petitioners. Respondents argue that all metal ironing
25 tables and over-door ironing boards have similar

1 physical characteristics, are functionally
2 interchangeable, share the same system of
3 distribution, have similar price points, and can be
4 made in the same facilities with the same production
5 workers.

6 Please address this argument. How should we
7 take it into our analysis?

8 MR. GRAVES: As I said earlier, we don't
9 consider them a substitute product. The over-the-door
10 products, while yes you can iron on it, I guess you
11 could make that claim for the counter models, and you
12 know, another functional substitute for iron surface
13 like an ironing blanket or something like that, but we
14 consider the tables their own segment because they
15 have the floor-standing ability. It's the vast
16 majority of the market, and from our perspective they
17 are separate and distinct from the specialty niche
18 products which would include the over-door models,
19 cabinet models, counter-top products, ironing
20 blankets, things of that nature.

21 MR. IKENSON: If I may add, Commissioner
22 Pearson.

23 COMMISSIONER PEARSON: Please.

24 MR. IKENSON: We, of course, address the
25 like product issue in our brief --

1 CHAIRMAN OKUN: Mr. Ikenson, please pull the
2 microphone closer to you.

3 MR. IKENSON: Okay. Some of the arguments
4 that I think is instructive is protected by ATO. It
5 does relate to questionnaire responses, so I think I
6 can say that if the Commission would look at some of
7 these responses as to other purchasers' perceptions,
8 importers' perceptions of interchangeability, there
9 would be -- I think you can get some guidance from
10 that.

11 With respect to common channels of
12 distribution, I think we did address that publicly.
13 The floor-standing models are distributed to, for
14 example, hotel customers, and the over-the-door model
15 is never distributed through that channel. You have
16 that distinction.

17 We also discuss differences in pricing.
18 There certainly was commonality with respect to
19 manufacturing facilities, production processes and
20 production employees. There is overlap there.

21 But I think the major issue is the one that
22 Mr. Graves has said earlier and what I said. The
23 issue of interchangeability and consumer perception
24 you need to examine in confidence.

25 And I think the way in which people iron is

1 going to be very important. You really have to see
2 the over-the-door boards in action to realize what the
3 limitations are. People who buy these boards live in
4 often small apartments, dormitory rooms, or trailers,
5 and you are quite limited in what you can do. You
6 can't iron a sheet or a table cloth, certainly not
7 easily, and people who are in the market for an
8 ironing table would not wish to compromise themselves
9 and buy an over-the-door board unless space really
10 dictated.

11 And I would ask Mr. Graves who is in the
12 business to correct me if I have misspoke.

13 MR. GRAVES: No, you are correct.

14 COMMISSIONER PEARSON: Okay, thank you very
15 much. The light is changing, so I will pass.

16 CHAIRMAN OKUN: Well, thank you, and thank
17 you again to the witnesses. You know, we hear about a
18 lot of different products and in many cases that we
19 hear some I know very little about, and can't imagine
20 what they are, but, you know, here we have a product
21 that I try not to be too familiar with, but I can say
22 I know what it is, know what it does, although, Mr.
23 Graves, I may take issue with your description of why
24 someone wanted the one you can carry, because you said
25 you would carry it to where you want to iron, and I

1 would where I was forced to iron. Haven't got those
2 kids old enough to, you know, make them iron their own
3 things, so anyway. But I appreciate hearing about the
4 industry, and I have some questions.

5 I think I want to start a little bit about
6 maybe talking about the marketplace in general and who
7 the purchasers are and what are changes in the retail
8 market have -- what kind of impacts that has had. And
9 you have talked about it in your testimony, but one of
10 the things this case reminds me of are the consumer
11 products where you have what has become a
12 consolidated, the big box floors.

13 I'm just trying to understand what impact
14 that has for you selling into those, and let me start
15 with -- well, I have a number of questions. Let me
16 start with in terms of the line reviews. That's been
17 the way that those stores conducted their price
18 reviews of them, their purchasers, during the whole
19 time you have been in business since '97. I mean, has
20 that been common the entire time? Just help me
21 understand that part of it.

22 MR. GRAVES: Yes, the traditional method
23 would be a face-to-face line review with the trade
24 buyer where you will be there to present -- it's
25 usually done annually, not always, but typically it's

1 an annual process so you are meeting to review the
2 assortment of products for subsequent year sales.

3 And historically that's been, as I said, a
4 face-to-face line review with your sales and marketing
5 associates presenting new products, review pricing for
6 existing products, discussing promotional
7 opportunities, anything involved with that customer's
8 sales activities typically for the following year.

9 A variant of that would be the online
10 auction which came into play a couple of years ago,
11 and that is a different approach where the products
12 are selected prior to the event to be auctioned, if
13 you will. Sometimes it's the individual item,
14 sometimes it's a market basket where the products are
15 auctioned in a weighted average price.

16 And in those events suppliers have been pre-
17 selected to attend. They are done online as I
18 mentioned, and you have -- the bidding starts at a
19 certain price, and the bidders are bidding their bid
20 prices electronically, real time, and the result of
21 that is it's a winner take all scenario typically
22 where whoever bids, whether it's individual or a
23 market basket scenario, whoever is the lowest price
24 bidder is going to be awarded that business for that
25 period, whatever it is, again the following year.

1 CHAIRMAN OKUN: Okay. And one of the things
2 you had mentioned was that the prices had been stable
3 in the market prior to the imports coming into the
4 market. And I guess the intents of a line review, if
5 you were the incumbent seller, are you -- do you go in
6 with the expectation, or did you to this point go in
7 with the expectation that the Wal-Mart, K-mart,
8 Targets of the world would not ask you to lower your
9 price if you were the incumbent and you came in with
10 the same quality, that you were going to be able to
11 maintain your prices during these line review?

12 Or is the expectation that you would go in
13 and they are going to be expecting the lower price
14 because of your products or maybe you have got a
15 basket where you have got products that you would get
16 a higher price on? Tell me a little bit more about
17 that in terms of the prices.

18 MR. GRAVES: Well, typically, it's a
19 function of competition, to be quite honest. You
20 know, you always -- our policy is to price our
21 products competitive and fairly. And if you have new
22 improvements to the product, which we did in a pretty
23 significant way last year, that's your opportunity in
24 the line review to convey that.

25 But as far as your expectation of prices

1 being challenged, if you will, happens quite often in
2 a review situation, and you just have to react to that
3 challenge if you receive it, and look at your product
4 cost, and your overall pricing strategy, and work with
5 the customers that you can. That's the way we would
6 approach it.

7 CHAIRMAN OKUN: Okay. Well, you know, I'm
8 curious about that just in terms of, you know, the
9 impact of pricing and the imports because one of the
10 things that I'm trying to find, but there has been an
11 interesting theory of NPR stories about Wal-Mart and
12 how it brings in its suppliers. And I took from that
13 the expectation that when it puts on a line review
14 they expect prices to go down, you know, that's the
15 reason they do that, and that's why I am curious as to
16 whether -- again I'm trying to understand in a market
17 like this where you have concentrated purchases what
18 power they have.

19 We have heard a lot about price leaders
20 here.

21 MR. GRAVES: Right.

22 CHAIRMAN OKUN: I'm trying to figure out,
23 you know, what is the price leader in a market where
24 you're a taker.

25 MR. GRAVES: Well, there is no question they

1 have significant clout and buying power when you are
2 thinking of all the major chains. And again, our line
3 review processing, they are seeing all the competitors
4 in the market, whether they are U.S. suppliers or
5 wherever. You know, they buy worldwide. All the
6 major retailers have buying offices all over the
7 world, so it's not a closed market by any means. They
8 are going to see all suppliers from all exporting
9 countries as well as domestic countries -- domestic
10 producers I should say.

11 So I wouldn't say that you are going into
12 that review every time with the expectation that they
13 are going to challenge you on the price. It depends
14 on what's happening in the marketplace, and how your
15 product and value, quality level, service levels,
16 those things all come into play in a typical face-to-
17 face line review.

18 CHAIRMAN OKUN: Okay. And another change
19 that's happened in the marketplace has been the
20 closure of retailers, Ames & Bradleys were mentioned,
21 the bankruptcy of K-Mart.

22 MR. GRAVES: Right.

23 CHAIRMAN OKUN: And then just the changes in
24 Wal-Mart and Target and others in terms of their size.
25 One of the points that the respondents have raised is

1 that, in essence, if you had a domestic producer who
2 has some portion of the market, when they start
3 importing that really HPI was just trying to grow
4 their share by displacing, so you haven't been injured
5 because essentially they displaced what they used to
6 do domestically with Chinese.

7 MR. GRAVES: Right.

8 CHAIRMAN OKUN: And that we shouldn't expect
9 injury in the market where you would have to have gone
10 from incumbent to actually take that market share.
11 And I wondered if you could comment on that. I see
12 Mr. Bradley is reaching for his microphone, but let me
13 start with the industry and then turn to you, Mr.
14 Bradley.

15 MR. GRAVES: Okay, so to make sure I
16 understand your question. With the closure of some
17 retail chains, and the move of our competitors'
18 production to China, I think what you're asking is
19 have we really been injured by that shift. Is that
20 your question?

21 CHAIRMAN OKUN: The shift where -- you know,
22 and obviously, we're not going to discuss this
23 specifics who might have been your customers, but in a
24 general way where you didn't have the customer anyway.
25 You weren't necessarily the big incumbent or maybe you

1 were one of them, but that the other, the Whitney
2 simply moved brought material in from China that they
3 otherwise would have produced domestically; therefore
4 that you are really just complaining you haven't been
5 able to capture the share they had, and is that really
6 injury to the domestic industry?

7 MR. GRAVES: I see. Well, I don't think
8 that's true. We have, you know, lost significant
9 revenues and sales irrespective of Whitney's move
10 really, so I would submit that we have suffered
11 significant loss both in share and revenue based on
12 the general influx of Chinese competition, not
13 specifically related to Whitney Design.

14 CHAIRMAN OKUN: Mr. Bradley.

15 MR. BRADLEY: In fact, I was just going to
16 make that point; that HPI's share is not what it was
17 when Whitney did its conversion. It's much below
18 that, and that's the indication that there has been
19 injury apart from any effect of Whitney.

20 CHAIRMAN OKUN: Okay. Let me just -- well,
21 my yellow light is one so I may not be able to get
22 into the next question. I appreciate those answers.

23 Let me turn to Vice Chairman Hillman.

24 VICE CHAIRMAN HILLMAN: Thank you, and I
25 appreciate your taking the time to be with us and the

1 information that you have provided in your pre-hearing
2 brief.

3 Let me just make sure on a couple of issues
4 that the Chairman was raising on this issue of the
5 line review to make sure I understand it.

6 When these line reviews are conducted, the
7 price that is negotiated then holds for how long a
8 period of time?

9 MR. GRAVES: Typically, the following --
10 until the next review which would usually be a year
11 later. That's the normal procedure.

12 VICE CHAIRMAN HILLMAN: Okay, so has the
13 pace at which there have been line reviews changed
14 over the period of investigation, how frequently they
15 are conducted?

16 MR. GRAVES: I would say line reviews no,
17 but they have been perhaps more frequent, you know,
18 reverse auctions in a period of 2001 and 2003.

19 VICE CHAIRMAN HILLMAN: Okay, and do the
20 reverse auctions, does that also hold for a one-year
21 period of time?

22 MR. GRAVES: They vary. Sometimes it's for
23 one year. Sometimes it might be for a five-to-nine-
24 month period. It depends on the retailer that's doing
25 them, so it's not always a year. Sometimes it's less.

1 VICE CHAIRMAN HILLMAN: And would a sale for
2 a five-to-nine-month period of time be less than what
3 you had seen prior to the introduction of these
4 reverse auctions?

5 MR. GRAVES: I would say yes, because they
6 normally would have been for an annual quantity for
7 the following year.

8 VICE CHAIRMAN HILLMAN: Okay. And once they
9 are set though, has that one-year period of time, or
10 the five-to-nine months remained as such, or have you
11 seen requests for price changes within that year
12 period?

13 MR. GRAVES: No. Once they are set they
14 would be in effect for that predetermined period,
15 whatever it would be.

16 VICE CHAIRMAN HILLMAN: All right. Then if
17 I can go to the issue of trying to understand the
18 price competition between the mesh and the perf top.

19 MR. GRAVES: Okay.

20 VICE CHAIRMAN HILLMAN: Because obviously
21 our data is reflecting that the Chinese product is
22 largely in the mesh top, almost entirely.

23 MR. GRAVES: Mm-hmm.

24 VICE CHAIRMAN HILLMAN: And that your
25 product is more heavily in the perf top.

1 MR. GRAVES: That's right.

2 VICE CHAIRMAN HILLMAN: So I am trying to
3 understand how I look at price comparisons to try to
4 understand what are fair numbers to look at.

5 You mentioned that the consumer, the
6 consumer end, that there is not necessarily a
7 significant price difference between what the mesh and
8 the perf top is sold for. Let me start with from your
9 end of it from a cost standpoint.

10 Is it cheaper to produce a perf top from a
11 pure manufacturing cost standpoint, or is it cheaper
12 to produce a mesh top?

13 MR. DEPPEN: The perf top itself is a little
14 more expensive to produce because there is a two-
15 portion assembly to the top.

16 VICE CHAIRMAN HILLMAN: For the perf top or
17 the mesh top?

18 MR. DEPPEN: The mesh top, I'm sorry.

19 VICE CHAIRMAN HILLMAN: The mesh top is more
20 expensive to produce?

21 MR. DEPPEN: Yes.

22 VICE CHAIRMAN HILLMAN: Okay. Now, it
23 requires less steel?

24 MR. DEPPEN: Actually, the steel is about
25 the same, but there is about five labor operations

1 more in the mesh than there would be in a perf top.

2 VICE CHAIRMAN HILLMAN: Okay. So it's a
3 little bit more expensive. Can you give me a sense of
4 how much more generally to produce a perf top? And if
5 that's confidential, don't provide it. I'm happy to
6 get -- I'm not asking you to tell me if it's
7 confidential.

8 MR. IKENSON: We would like to put that in
9 the post-hearing brief.

10 VICE CHAIRMAN HILLMAN: Okay. And again,
11 I'm just talking about cost, not about pricing.

12 We then go to the pricing if you can. You
13 describe the notion that at least historically there
14 had been a price differential with the mesh tops being
15 considered a higher end product?

16 MR. GRAVES: Mm-hmm.

17 VICE CHAIRMAN HILLMAN: Tell me a little bit
18 about the price competition between mesh and perf?

19 MR. GRAVES: Well, as I said, historically,
20 meaning with the domestic producers, the perforated
21 top was offered as normally the opening price point,
22 and the mesh top, that is, the metal top, were then
23 offered as a mechanism to trade the customer up to
24 higher price points.

25 So what has been again historically prior to

1 probably 2002, not a big premium for the mesh, but you
2 know, somewhat of a premium if that top surface was
3 offered.

4 VICE CHAIRMAN HILLMAN: And were they
5 advertising such? I mean, described as a better
6 product to the customer? I mean, does every consumer
7 go in and say, oh, perf top is not as good as, or I
8 want mesh top, it's better?

9 MR. GRAVES: I think from a selling and
10 marketing standpoint we to the trade customers do it
11 that way. In fact, in our packaging we talk about the
12 steam penetration on mesh top being a better surface,
13 yes.

14 VICE CHAIRMAN HILLMAN: Okay. Okay, so in
15 terms of looking at price comparisons your sense is
16 it's not appropriate to compare perf top to mesh top
17 prices?

18 MR. GRAVES: Well, I would say I would agree
19 with what the respondents said earlier that now if you
20 walk into a Wal-Mart, for example, you're going to see
21 that they are interchangeable at the opening price
22 point level, because the other supplier has offered
23 those to Wal-Mart at that opening price point level,
24 that's true, a true statement.

25 MR. IKENSON: But they are offered --

1 VICE CHAIRMAN HILLMAN: Sir, you have to use
2 that microphone for the court reporter.

3 MR. IKENSON: I'm sorry. They are offered
4 in the mass merchants' facilities that were described
5 at different stores, so it's very rare that there will
6 be an opening price point mesh top and an opening
7 price point perf top in the same store.

8 Isn't that correct?

9 MR. GRAVES: That's true.

10 VICE CHAIRMAN HILLMAN: Mr. Bradley.

11 MR. BRADLEY: Thank you, if I may. The
12 other thing I would like to focus on are the wholesale
13 prices. I mean, we were talking about the fact that
14 the mesh top sold at a premium to the perf top. I was
15 specifically talking about prices to the retailer at
16 the wholesale level.

17 And Mr. Graves mentioned of the advertising
18 was they are advertising to the retailers suggesting
19 that the mesh top was a step up. It's there where we
20 think the price comparison is not one to one; that if
21 you want to look for underselling by an imported mesh
22 top, you have to recognize that historically that
23 produce is selling above the perf top. So if it comes
24 in at a price equal to the perf top, it's essentially
25 undertaking price competition.

1 VICE CHAIRMAN HILLMAN: Okay. And obviously
2 in your brief you have calculated a weighted average
3 premium that you think we ought to be attaching to the
4 mesh top tables, and then applying that premium to our
5 pricing data in order to do these comparison, because
6 obviously we are struggling with how do we compare
7 when the domestic product is largely one perf top and
8 the imports are largely the other.

9 I wonder if you can give us any more details
10 here in terms of how you calculated the premium and
11 again any background data you want on the record, and
12 I'm trying to make sure I understand why this is an
13 appropriate way for the Commission to look at this.

14 MR. BRADLEY: I just wanted to make sure I
15 could answer without getting in trouble.

16 The method was to say if there is a premium,
17 it should be the case that if one customer is buying
18 from a supplier, the mesh top to that customer should
19 consistently sell at a higher price than the perf top
20 customer.

21 So what I did was I looked at HPI's sales
22 records, and I looked at individual sales from HPI to
23 individual customers. I took all instances where they
24 sold both mesh and perf, and calculated the amount by
25 which the mesh top was higher than the perf top.

1 Because they sold different amounts to
2 different customers, then I calculated the weighted
3 average of those premiums to be fair. So the average
4 premium that we produce was the historical amount by
5 which mesh tops to perf tops -- mesh tops exceeded
6 perf tops on, you know, a one-to-one heads-up scale.

7 We didn't use overall averages, although
8 that would have offered giving premium to be careful
9 that we were not confounding customer-to-customer
10 effects with just the mesh to perf effect.

11 VICE CHAIRMAN HILLMAN: Okay.

12 MR. BRADLEY: Does that --

13 VICE CHAIRMAN HILLMAN: No, I understand
14 that. I mean, if there is anything that you want to
15 add in the post-hearing, you know, to just document
16 this --

17 MR. BRADLEY: Thank you.

18 VICE CHAIRMAN HILLMAN: -- I think that
19 would be useful because obviously this is one of the
20 things that we are going to struggle with is whether,
21 you know, what does our pricing data show us in terms
22 of underselling and all of these other factors.

23 But then the other thing I want to try to
24 understand is, as I heard your testimony, and again
25 this is trying to make sure I understand what's in the

1 record on this, the Chinese started out in the high
2 end. And as you describe it, I think, has come down
3 and are also competing in the lower end products.

4 I'm trying to understand how I factor that
5 into this analysis of how do I look at mesh versus
6 perfs. The Chinese have always been in mesh is my
7 understanding.

8 MR. GRAVES: Yes, they have. That's the
9 manufacturing method that they have chosen as their
10 production approach, the mesh production.

11 VICE CHAIRMAN HILLMAN: Okay. But
12 nonetheless, if they had been coming down, and
13 starting out in the high-end mesh, and now producing,
14 or what we'll describe, I guess, as lower-end mesh --

15 MR. GRAVES: Mm-hmm.

16 MR. GRAVES: -- how do I look at that in
17 terms of trying to understand this issue of whether
18 this is an appropriate premium or not, or how I should
19 be comparing those prices.

20 MR. IKENSON: If I may start. We'll start
21 with I'd like to give you an opening price point
22 explanation, and then Dr. Bradley will give you the
23 step-up version of this.

24 The imports of high-end products from China
25 are not mesh. These are the step-up products, and

1 there is a variety of four-leg ironing tables, going
2 from a basic four-leg table to a very elaborate one
3 with many features. That is what we were referring to
4 when we said the initial imports from China were high
5 end.

6 When you look at the price data in the
7 record for product 1 and product 2, that doesn't
8 include those products. That's only including the
9 low-end opening price.

10 VICE CHAIRMAN HILLMAN: Okay. Given that
11 the red light is on, I need to come back on any
12 further issues on this. Thank you very much.

13 CHAIRMAN OKUN: Commissioner Miller.

14 COMMISSIONER MILLER: Thank you, Madam
15 Chairman.

16 Mr. Bradley, did you want -- Professor
17 Bradley, did you want to finish responding to the
18 question or -- okay, all right.

19 Well, thank you to those of you who -- all
20 of you here, but particularly the company
21 representatives. We appreciate your willingness to be
22 here, away from your business, and explaining the
23 industry to us.

24 I think I will stay for a minute with a
25 couple of questions related to the product just to

1 make sure that I have that, and that is again the mesh
2 versus perforated tops, the competition there.

3 Let me ask you this question. Do retailers
4 request that you bid one or the other? I mean,
5 whether you're talking about these online auctions or
6 otherwise, are they saying to you -- are they saying
7 when they put out the request for the bids, you know,
8 we want the mesh bid or we want the perf bid?

9 MR. GRAVES: Typically in a line review
10 situation you're going to present the product that you
11 feel is the most appropriate for the customer from
12 your perspective.

13 When a retailer would do an online event,
14 they are typically going to specify the attributes of
15 the product, the size, the type of the top would
16 certainly be one of those, and they have -- to be
17 quite honest with you, in different auctions the spec
18 has varied. Sometimes it has been specified as a
19 perforated top, sometimes mesh top, other times it
20 hasn't been that specific a specification going in.
21 So it kind of varies, but typically they are going to
22 specify one or the other top surface.

23 COMMISSIONER MILLER: So they usually would
24 be asking for mesh or perf?

25 MR. GRAVES: Yes.

1 COMMISSIONER MILLER: Okay. To counsel and
2 Professor Bradley, I don't know if you can address
3 this perhaps in a post-hearing submission, I don't
4 think our records on some of the lost sales and
5 revenue items and our record on the auctions provides
6 that information. I don't think it told us that. And
7 if there is information that we should be aware of in
8 terms of what was being asked in those online auction
9 bids, a little more detail perhaps than we actually
10 currently have, I think we should be aware of.

11 MR. IKENSON: Commissioner Miller, we will
12 be pleased to put that information --

13 COMMISSIONER MILLER: And we'll see if that
14 kind of information was out there with those specific
15 --

16 MR. IKENSON: Yes, it is available, and we
17 will present it to you.

18 COMMISSIONER MILLER: Okay. Then a moment
19 ago, Mr. Graves, you mentioned once again the four-leg
20 product which we haven't really talked about very
21 much. Mr. Graves, does HPI make the four-leg model?

22 MR. GRAVES: Yes, we do.

23 COMMISSIONER MILLER: You didn't bring one
24 of those for us to see.

25 MR. GRAVES: No, We're sorry. We should

1 have brought one along. Apologize.

2 COMMISSIONER MILLER: That is -- tell me a
3 little bit about how that one fits in. I mean,
4 retailers offer both typically, the large retailers,
5 are they offering -- you know, I get the impression
6 they must.

7 MR. GRAVES: Yes, the primary attribute that
8 a consumer is looking for is stability in the product.
9 So a four-leg model in theory is going to give you
10 better stability than a t-leg model. Therefore, the
11 premium attached to that is a better or best type of a
12 product.

13 The high-end models are almost always four
14 legs, for example. Medium-grade products are
15 typically four legs, and the opening price point is
16 usually is going to be a t-leg.

17 COMMISSIONER MILLER: And I'm sorry, did you
18 mention that the Chinese products when it began
19 entering was more of the four legs. Has that changed
20 over time or are they still predominantly -- I don't
21 know what the percentages or proportions of these
22 different kind of products is, but I just want to have
23 some sense as to how much -- your impression is that
24 they would be in that four-leg high end?

25 MR. GRAVES: Well, the Chinese buyers are

1 offering much like the whole spectrum of ironing table
2 products with better/best premium and so forth, four-
3 leg models all the way down to the opening price point
4 t-legs.

5 COMMISSIONER MILLER: Is it a matter of
6 price competition among them? I mean, is there a
7 differential? I mean, if I can go buy a four-leg for
8 the same price as the t-leg, you know, am I going to
9 buy four-leg, or no? I'm trying to find out what a
10 typical purchaser is going to decide whether they want
11 one or the other for any reason.

12 MR. GRAVES: You're talking about a trade
13 customer?

14 COMMISSIONER MILLER: Well, the trade
15 customers that really matter to use. Obviously, they
16 are driven by what their purchaser wants too.

17 MR. GRAVES: Yes, I would say, if I
18 understand the question correctly, if a retailer is
19 offering a four-leg product for the price that would
20 typically be attached to a t-leg, that would be an
21 outstanding value for the consumer, and they would
22 probably --

23 COMMISSIONER MILLER: I asked partly because
24 you made much of this premium between that and perf.

25 MR. GRAVES: Right.

1 COMMISSIONER MILLER: And I'm wondering
2 about the premium between four leg and t.

3 MR. DEPPEN: If I may, I think to help try
4 to make a little clearer, if we go back before 2002,
5 let's go back to 2000 and 2001, at that point the
6 Chinese imports were not only four-leg imports but
7 what we call high end, which means they have other
8 features, ironing rests or linen rack or it could be,
9 I don't know, chrome or fancy. They are quite a bit
10 more expensive at the retail level.

11 When we talk about the dramatic increase in
12 imports, those are t-legs. So the surge in imports we
13 have seen is the t-leg, which is the opening model.

14 Now, within that t-leg you have mesh versus
15 perf, and that was the premium we were talking about,
16 entirely the t-leg. And I apologize. When I did my
17 hierarchy, I did not make that clear. It's the four
18 legs at the top, then you have the t-legs below, and
19 then within the t-legs mesh versus perf.

20 COMMISSIONER MILLER: Okay.

21 MR. DEPPEN: And I apologize for not making
22 that clear.

23 COMMISSIONER MILLER: That's why you
24 concentrated on that particular premium as opposed to
25 the --

1 MR. DEPPEN: That's right, that's where the
2 imports are. Thank you.

3 COMMISSIONER MILLER: Mr. Graves?

4 MR. GRAVES: Just to give you an idea, about
5 75 percent of the ironing table market is in the open
6 price point.

7 COMMISSIONER MILLER: Don't see any reason
8 to trade up very often.

9 MR. DEPPEN: And Commissioner Miller.

10 COMMISSIONER MILLER: Yes.

11 MR. IKENSON: The reason for the examination
12 of the premim. was because those were the two
13 products, the two sides of t-legs --

14 COMMISSIONER MILLER: Yes.

15 MR. IKENSON: -- for which you were
16 examining Professor --

17 COMMISSIONER MILLER: That we have data.

18 MR. IKENSON: Right.

19 COMMISSIONER MILLER: Right, exactly. Okay.

20 All right, let me go back to make sure I
21 understand exactly how and when the Chinese
22 competition began impacting your prices. You have
23 mentioned the December 2001, in your testimony you
24 have that has your first --

25 MR. IKENSON: Yes.

1 COMMISSIONER MILLER: -- point on your time
2 line. Does that mean that's really the first point
3 when you had this one retailer having the open bid and
4 the Chinese unseating the incumbent U.S. producer? Is
5 that really the first moment at which you recognized
6 this competition?

7 MR. GRAVES: That would be the first
8 significant bench mark we could cite. We had a
9 similar scenario with another customer where we --
10 perhaps earlier than that, in mid-2001, I believe,
11 would have lost some sales to the Chinese imported
12 products. But the major event, December 2001, would
13 be the first --

14 COMMISSIONER MILLER: That really made you
15 sit up and take notice, correct?

16 MR. GRAVES: Correct.

17 COMMISSIONER MILLER: Okay. And now we're
18 going to hear about the Whitney closure as clear from
19 Mr. Perry in his opening statement. When did you
20 become aware, and I know I'll ask Whitney this
21 question, but when did you become aware of Whitney's
22 closure? I mean, at the time it happened, or was this
23 months ahead that you knew? When did you know?

24 MR. GRAVES: Probably right after it
25 happened. I don't know if we would have had any

1 advanced knowledge of that; just when we, you know,
2 saw it in a news report or something of that nature.

3 COMMISSIONER MILLER: It wasn't something
4 rumored long in the industry so to speak?

5 MR. GRAVES: If so, our rumor mill isn't
6 very good because we didn't have any advanced
7 knowledge of that.

8 COMMISSIONER MILLER: Okay. I'm kind of
9 jumping around here a little bit, but there has been
10 different things that have caught my interest.

11 One comment about our question about the
12 online auctions. First of all, you describe them as a
13 winner take all scenario. Is that different than your
14 other typical line reviews? Have these online
15 auctions brought more of this winner take all results
16 than you have typically seen in the past? Is that
17 fair to say?

18 MR. GRAVES: Yes, I would say so. They are
19 not all winner take all, I don't want to make that
20 generalization, but usually they are. One supplier
21 can come out of it with -- you know, each event with
22 all the business.

23 And prior to that in the line review
24 business, I would say had more of a potential to be
25 fragmented and spread across different items,

1 potentially from different suppliers.

2 COMMISSIONER MILLER: Okay. And what do you
3 see as the future of the online auctions? Do you see
4 them continuing?

5 MR. GRAVES: Well, they are continuing for
6 us not in ironing tables, we haven't had one, as the
7 respondents correctly pointed out, for about nine
8 months. But in other facets of our business we supply
9 other product categories, they are continuing. So I
10 don't think they are going to necessarily go away. I
11 wouldn't make that statement.

12 COMMISSIONER MILLER: Okay. Mr. Ikenson?

13 MR. IKENSON: Yes. Commissioner, while it's
14 true there hasn't been an auction for awhile, an
15 auction was planned by major retailers to follow the
16 date of the Commerce Department preliminary
17 determination. That was in early December. Because
18 that determination was postponed, the auction was
19 postponed.

20 And then when the preliminary determination
21 finally was -- it was postponed to a date following
22 the new date of the preliminary determination by
23 Commerce, and then a new one was planned, so that was
24 cancelled. We will be able to discuss this.

25 COMMISSIONER MILLER: Okay, but you are

1 telling me you do think that -- the red light is on so
2 I am not asking you -- you definitely think the reason
3 they have gone away is because of the pendency of this
4 case. That's what you're suggesting?

5 MR. IKENSON: Yes.

6 COMMISSIONER MILLER: Okay, thank you. I
7 appreciate your answers very much. Thank you.

8 CHAIRMAN OKUN: Commissioner Koplan.

9 COMMISSIONER KOPLAN: Thank you, Madam
10 Chairman. I want to thank the witnesses for their
11 presentation today.

12 I'm still struggling with this issue
13 involving the premium. I'm coming back to the back
14 and forth you had with Vice Chairman Hillman. Let me
15 see if I can walk through this with you.

16 I noted that on pages 36 to 40 of your
17 prehearing brief you make the argument that
18 substantial underselling of Chinese subject imports in
19 2002 and '3, you explain it by arguing that a
20 traditional underselling analysis is difficult to
21 perform because there aren't any importers' perforated
22 to our buying the tables to compare with domestic
23 perforated to our buying the tables.

24 Then you go on and state that a comparison
25 of imported mesh-top prices, domestic mesh-top prices

1 show significant underselling.

2 My concern is that the Chinese ironing
3 tables are exclusively mesh top, and the domestic
4 ironing tables are largely perforated. The Chinese
5 ironing tables don't carry a premium with them.
6 That's my understanding. There is no premium
7 involved.

8 You suggest that we remedy -- that we can
9 remedy your suggested analysis by calculating the
10 premium that was discussed by which domestic mesh tops
11 oversell domestic perforated tops, and then adjust the
12 imported mesh tops to make them comparable to the
13 perforated top prices.

14 To me, it's still coming across as an apples
15 to oranges comparison from mesh-top tables that you
16 produce in far fewer quantities than the perforated
17 ironing tables. And as I look at Table 5-1 of the
18 staff report, that, to me, appears to be a more apples
19 to apples comparison.

20 And if I'm looking at that table, in all
21 quarters the Chinese product is priced above the U.S.
22 product. This part is public. With margins ranging
23 from 2.7 to 84.1 percent, and the average is 19.3
24 percent.

25 Help me out on this. I'm still struggling

1 with your suggested analysis.

2 MR. BRADLEY: I think Table 5 can be --

3 COMMISSIONER KOPLAN: Yes, I also want to
4 note, and this is also in the staff report, that we
5 note in the preliminary phase of this investigation
6 that in the final phase that examine product mix
7 issues and whether prices items needed to be more
8 narrowly defined, and the parties were asked to
9 address these issues in their comments regarding the
10 selected pricing products in the Commission's draft
11 questionnaires, and no parties suggested or requested
12 any change of their additions for the pricing products
13 at that time. So I would just mention that, and
14 that's in a footnote in this same chapter.

15 Can you help me out?

16 MR. BRADLEY: No, I just want to refresh my
17 recollection was 5-1 is before I answer your question.

18 COMMISSIONER KOPLAN: I can't get into the
19 details of the 5-1 because that table -- the numbers
20 are certainly proprietary.

21 MR. BRADLEY: I would raise two issues with
22 Table 5-1.

23 CHAIRMAN OKUN: Mr. Bradley, I just want to
24 make sure that you don't have the EPI version with --
25 okay, all right.

1 MR. BRADLEY: I wanted to see the title to
2 this.

3 MR. BRADLEY: No, no, I just wanted to know
4 what the title to this -- I want to know what title 5-
5 1 is.

6 COMMISSIONER KOPLAN: Thank you for that,
7 Madam Chairman.

8 CHAIRMAN OKUN: Ye

9 MR. BRADLEY: Yes. The table, as I
10 understand it, compares mesh tops to perf tops.

11 COMMISSIONER KOPLAN: Right.

12 MR. BRADLEY: And I would suggest that in
13 trying to understand underselling and price
14 competition by imports, that is not an apples to
15 apples comparison because I believe that before the
16 imports came mesh tops were selling at a price above
17 perf tops.

18 And so for a Chinese import to come in and
19 sell at a price equal to a perf top is in fact
20 underselling because they are offering to the retailer
21 a product which has always been priced higher at a
22 lower price relative to the perf top.

23 And so I guess I would suggest -- you are
24 right, there is a difficult, it's not easy because we
25 don't have perf versus perf in large quantities or

1 mesh versus mesh in large quantities, so is difficulty
2 as it has to be done, and I would suggest that the
3 adjustment is appropriate because otherwise we're
4 going to misunderstand the degree of price pressure
5 the imports are putting on the domestic industry.

6 It's like they have -- you know, in the old
7 days I think it was the Pontiac and the Chevy were
8 basically the same car, but different prices, or
9 you're selling a higher priced case at the price of
10 the lower one, that's real price competition, perhaps
11 even underselling even though the absolute price
12 themselves are the same, and that's why I think the
13 adjustment is appropriate.

14 The other thing I don't know if I'm allowed
15 to say about the table, so I would like to check with
16 counsel before I answer if that's okay.

17 COMMISSIONER KOPLAN: Absolutely.

18 (Pause.)

19 MR. BRADLEY: The other answer is going to
20 have to be confined to our post-hearing brief,
21 unfortunately. I had one other reason that I would
22 add cost to the table, but I need to provide that
23 confidentially. Sorry.

24 COMMISSIONER KOPLAN: No, I appreciate that.
25 I just want to suggest to you that I'm still

1 struggling with this particular issue, and anything
2 that you can do to expand in the post-hearing would be
3 helpful to me, and at that time you all can
4 specifically address the table I'm referring to. And
5 if you want to prepare a table that you are suggesting
6 that we substitute, I would like to see the basis for
7 that, so you can get quite specific for purposes of
8 post-hearing. I find that helpful.

9 MR. BRADLEY: Thank you very much and we
10 will indeed do that.

11 COMMISSIONER KOPLAN: Thank you.

12 MR. IKENSON: Commissioner Koplan, if I may
13 just supplement the responses. I think you had asked
14 why we did not pick up on the Commission's invitation
15 to comment on the difficulty in product comparisons.

16 COMMISSIONER KOPLAN: Well, neither side
17 did.

18 MR. IKENSON: Yes. But I think in fairness
19 the products that we were concerned about where we
20 thought you can get the best apples to apples
21 comparison was the product with the least features,
22 and that's the opening price point product, which is
23 the t-leg.

24 Once you get to four-leg product and above
25 there is such a range of features, it would be very,

1 very difficult to compare prices of one person's four-
2 leg with another, and they will be combined. It's
3 very, very difficult to isolate.

4 So the best isolation I thought we could get
5 was with respect to the t-leg, and there are the two
6 types of t-legs as you know.

7 COMMISSIONER KOPLAN: Thank you, Mr.
8 Ikenson. I appreciate that.

9 I would also like to hear from respondents
10 post-hearing on this same issue. That would be most
11 helpful to me as well.

12 Let me stay with you if I could, Mr.
13 Ikenson, for a moment. You heard Mr. Perry argue this
14 morning that raw material prices and freight charges
15 in China are skyrocketing. This is directly contrary
16 to what I think I have heard from you today, and I'm
17 asking what more you could submit for the record or
18 present now that would help me on this to reconcile.

19 MR. IKENSON: With respect to freight, I
20 have to dance around this issue because there was
21 confidential information submitted by respondents.

22 COMMISSIONER KOPLAN: Yes.

23 MR. IKENSON: With respect to steel, I think
24 we will have to put in our post-hearing report
25 evidence from publicly available reports, which I

1 don't have with me, indicating the very peculiar
2 schism that occurred earlier this year where prices in
3 the U.S. were rising and prices in China were falling.

4 So we would be pleased to develop that in
5 our post-hearing brief.

6 COMMISSIONER KOPLAN: Thank you. I
7 appreciate that very much.

8 CHAIRMAN OKUN: Mr. Deppen, you noted, I
9 think, the imperfections in the Chinese-produced
10 product you purchased locally in Indiana.

11 Are you suggesting that there is substantial
12 quality differences in the two products, and if so,
13 have your customers raised these concerns?

14 I ask that because purchasers have
15 identified quality as their number one ranked factor
16 in their purchasing decisions.

17 MR. DEPPEN: No. Actually, what I was
18 trying to persuade the Commission is that the
19 differences in manufacturing process is between those,
20 the perf tops that we produce in Indiana versus the
21 Chinese sets. The Chinese have a lot more of manual
22 operations in producing their products. Consequently,
23 there is more opportunity for errors in the
24 manufacturing process.

25 And the one that I brought was a typical

1 example, not that all Chinese products are that way.
2 They make good products also, very competitive
3 products, but it's not unusual to find in our sampling
4 that we have taken products like the one that brought
5 today that has unlevel ironing surfaces, and sharp
6 points and things like that in them.

7 COMMISSIONER KOPLAN: Thank you. I
8 appreciate that clarification.

9 Mr. Graves, let me see if I can get this one
10 out really quick. Are the losses you described where
11 you were unseated by Chinese manufacturer's
12 competition, were these loss to someone other than
13 Whitney Design or a mass merchandiser that is
14 importing directly?

15 If you have not already done so, can you
16 provide information on who the successful bidder was,
17 who the importer was, and what the successful bid
18 prices were?

19 MR. GRAVES: We would be happy to do that in
20 the post-hearing brief.

21 COMMISSIONER KOPLAN: That would be very
22 helpful as well.

23 I see my red light is -- had you finished
24 that response?

25 MR. IKENSON: We can say publicly that it's

1 other than Whitney Design.

2 COMMISSIONER KOPLAN: Okay.

3 MR. IKENSON: But the details will have to
4 be furnished.

5 COMMISSIONER KOPLAN: Thank you. I see my
6 red light is about to go on. Thank you. Thank you,
7 Madam Chairman.

8 CHAIRMAN OKUN: Commissioner Lane.

9 COMMISSIONER LANE: Good morning. I am sort
10 of disappointed that we don't have the four-legged
11 table here because I don't know what one looks like,
12 and I was sort of hoping to see what it looked like,
13 and how it might be more appealing for ironing
14 purposes than the regular one, but I'll go out and try
15 to find one.

16 One of you testified, and I forget which
17 one, it may have been Mr. Deppen -- no, I think it was
18 Mr. Graves -- that HPI's profits have significantly
19 declined. How would you characterize your current
20 financial health on a stand-alone basis without regard
21 to looking to where you were to your current status?
22 And maybe you might want to do that in a post-hearing
23 brief, unless you can testify to it now.

24 MR. GRAVES: Yes, we would be happy to do
25 that in our post-hearing brief.

1 COMMISSIONER LANE: Okay, and I think it may
2 have been Mr. Bradley said that HPI has not driven
3 down prices. What can you point to specifically to
4 buttress that argument?

5 MR. BRADLEY: What we will provide to you in
6 confidential nature would be a history of HPI's
7 prices, showing what they have done, and item-to-item
8 instances of their interactions with their customers.

9 COMMISSIONER LANE: Okay, Mr. Deppen, you
10 made a persuasive argument of the quality of your
11 product, so let me ask you a general question about
12 the quality.

13 Is there anything in the construction of a
14 mesh-top table that would result in the mesh-top table
15 being generally a better quality than the perforated-
16 top table?

17 For instance, is there anything about -- it
18 is sturdier or are there characteristics that you put
19 into the mesh top that make it better quality than the
20 perforated top?

21 MR. DEPPEN: The perf top and the mesh top
22 ironing tables are pretty much the same as far as we
23 are concerned. There is not a big difference in the
24 two. The difference being it's a two-part top and a
25 one-part top perf versus the mesh.

1 As I mentioned earlier, the mesh table takes
2 slightly more labor to produce. But as far as the
3 durability and the functionality of the two tables,
4 they are pretty much interchangeable.

5 MR. IKENSON: Commissioner, may I expand on
6 that for a moment?

7 COMMISSIONER LANE: Yes, you may.

8 MR. IKENSON: I feel particularly obligated
9 to since I am the person responsible for the failure
10 of the record to have a four-leg table here, and I'm
11 sorry that you have been disadvantaged, but we just
12 determined that we were bringing too many things to
13 the hearing room.

14 First, with respect to that, in our
15 petition, the antidumping petition, we had as an
16 exhibit a brochure, a product brochure showing the
17 various products that were made, including four-legged
18 products starting with low-end four-leg products to
19 fully featured ones. So while this may be a poor
20 substitute for the real thing, it will be available
21 for you to see in the record.

22 COMMISSIONER LANE: Okay, I appreciate that.

23 MR. IKENSON: Secondly, the kinds of
24 products that Mr. Deppen is discussing with you when
25 he is comparing the perf to the mesh is t-legs. He's

1 talking about the perf t-legs, and the mesh t-legs.

2 If he were to talk to you about mesh four-
3 leg, and the various four legs, he would have a lot
4 more to say about improvements and features and
5 differences in quality.

6 Our focus has been on the t-leg because that
7 is really 75 to 80 percent of the market, 75 to 80
8 percent of our production, and we think 75 to 80
9 percent of what's coming into the country. That's an
10 opening price point product.

11 COMMISSIONER LANE: Yes. And I'm not sure
12 if it's in the record and I'm not sure if you are
13 allowed to tell me, but I will ask. HPI produces both
14 mesh tops and perforated tops. Can you tell me what
15 the ratio is of one to the other, or the percentages
16 of one to the other?

17 MR. IKENSON: We can provide that to you in
18 post-hearing brief. It's confidential.

19 COMMISSIONER LANE: Okay, fine.

20 MR. IKENSON: But it's important to
21 understand that while historically we have been
22 focusing on perf tops, and we have very few mesh tops,
23 what I said in my opening statement is true. We could
24 make more mesh tops if the market went in that
25 direction.

1 And to the extent that large buyers are
2 saying we want mesh and we can get mesh from China,
3 but not from the United States, that is absolutely
4 incorrect. And Mr. Deppen could explain if you would
5 permit us, Commissioner, to tell you of the
6 flexibility that HPI has in producing mesh should
7 there be an interest on the buyers part.

8 COMMISSIONER LANE: Okay, I would like a
9 further explanation as to why a mesh-top table may be
10 better than a perforated-top table.

11 MR. IKENSON: The argument has been is that
12 it permits steam to flow through at a higher rate. We
13 understand that it's very, very minimally higher, and
14 we can present in our post-hearing report a laboratory
15 analysis showing you precisely how much more steam
16 gets through. We're talking about a very, very small
17 difference.

18 And I think the staff report and the
19 Commission's determination at the preliminary phase,
20 and I think representatives on the other side pretty
21 much acknowledge that at the consumer level there is
22 no -- certainly for the opening price point level,
23 they are viewed as essentially interchangeable.

24 The retailer may have a preference.
25 Retailers' customers have not shown a preference.

1 COMMISSIONER LANE: Good. I'm glad to know
2 that I'm not alone in thinking that perhaps there is
3 no difference between the two when it comes to
4 actually ironing.

5 Okay, my next question is for Mr. Graves or
6 Professor Bradley, and I'm focusing on the domestic
7 like product issue. There is a dispute between
8 petitioners and respondents regarding the over-the-
9 door ironing board. Petitioner is satisfied with
10 excluding them, while the respondents wants them in.

11 Putting aside the test for a moment, let's
12 look at the measure of harm. If we included over-the-
13 door boards, would the gross in imports relative to
14 the total market, the price impacts, and the
15 profitability of the domestic industry be changed
16 dramatically?

17 MR. BRADLEY: To give an accurate and
18 complete answer, I would like to do it in the post-
19 conference brief. My immediate recollection from
20 looking at the data is that the changes would not be
21 dramatic, but to be fair I would really like to go
22 back and look at the numbers and give you a complete
23 answer. I just don't feel I can, you know, do it fair
24 justice without refreshing my recollection.

25 COMMISSIONER LANE: Okay, thank you.

1 I would like now for one of you, and perhaps
2 Professor Bradley would be the right one to ask, what
3 has been the effect on the marketplace in the recent
4 closures of stores like Ames, Bradley, the bankruptcy
5 of K-Mart, and the continuing corporate growth of Wal-
6 Mart? What effect has that had on your industry.

7 MR. BRADLEY: I will be glad to give the
8 economist answer, and Mr. Graves can give you the real
9 world answer.

10 COMMISSIONER LANE: Let's let the real world
11 answer first.

12 MR. GRAVES: That's all right.

13 MR. BRADLEY: Yes.

14 MR. GRAVES: Okay, the real world answer,
15 Ames & Bradley by comparison were smaller retail
16 chains to Wal-Mart, or a K-Mart or a Target certainly,
17 so they were not a major factor.

18 K-Mart's bankruptcy and store closures have
19 been a factor certainly for us. So then what you can
20 see happening is the consumers that used to shop at a
21 K-Mart that their store has been closed, they are
22 going to logically shop at another discount chain,
23 likely to be a Target or a Wal-Mart. That would be
24 the transfer of sales, if you will, from a discount
25 customer who no longer has their store that they

1 previously shopped at available. They would go to
2 another one, we would argue.

3 MR. GRAVES: Okay, thank you. My time is u

4 MR. BRADLEY: Can I get --

5 CHAIRMAN OKUN: Do you want to allow him to
6 answer, Commissioner Lane, or do you want to come
7 back?

8 COMMISSIONER LANE: If you will give me the
9 time.

10 CHAIRMAN OKUN: Why don't we just finish u

11 MR. BRADLEY: I was just really --

12 CHAIRMAN OKUN: It's my last day so --

13 (Laughter.)

14 MR. BRADLEY: Thank you. I know we heard
15 earlier you can't have a one-minute lawyer, but I will
16 try to be the one-minute economist.

17 I would just put formal language on exactly
18 what he said. The transitions you talked about have
19 not really affected the total amount of ironing tables
20 purchased; just the channels by which they get to the
21 customer.

22 COMMISSIONER LANE: Okay, thank you. Thank
23 you, Madam Chairman.

24 CHAIRMAN OKUN: -- lawyers, I like it. I'm
25 going to start liking economists here soon.

1 Commissioner Pearson.

2 COMMISSIONER PEARSON: Thank you, Madam
3 Chairman.

4 Respondents report that in the first quarter
5 of 2004 both HPI and Chinese producers faced
6 significantly higher production costs attributable to
7 higher world steel prices. Respondents argue that as
8 a result of the production cost increases Chinese
9 shipments to the U.S. market and Chinese market share
10 declined in 2004.

11 Could you please address that argument?

12 MR. IKENSON: Commissioner, something else
13 happens in the first quarter of 2004. The Commerce
14 Department announced essentially a long awaited
15 preliminary determination in this case. They
16 announced their preliminary dumping margins which were
17 extraordinarily high, and we set those out in our
18 briefs. They were so dramatic and so favorable to us,
19 I should have submitted them to memory.

20 The country-wide rates was 153.76 percent.
21 One of the very large producers Shunday Yung Gen,
22 received that same rate. Three other producers
23 received the rate of 69.59 percent, and the remaining
24 producer, Sinnes Hardware, had a rate of 7.66 percent.
25 That was the lowest of the preliminary margins. This

1 has had an impact, as one would imagine, on buying
2 partners and on the dynamics in the market.

3 So the Commission knows from the statute
4 under which it operates that Congress expects you to
5 take into account sudden shifts in trends after an
6 antidumping proceeding begins, particularly after a
7 Commerce preliminary determination. So I think we are
8 looking at a very classic situation here where there
9 was a shift in the marketplace in response to a rather
10 substantial shock from the Commerce Department.

11 What those preliminary margins translate
12 into is an immediate cost and immediate great
13 uncertainty for the importing community. The only way
14 that they could import after that preliminary
15 determination is to either pay estimated duties in the
16 amount I have identified or post the bonds covering
17 that amount. But we think that is a major, major
18 event in the first quarter that changed that.

19 With respect to steel cost increases, here
20 we would have to go into some confidential
21 information. We would like to address that in our
22 post-hearing if we may.

23 COMMISSIONER PEARSON: Okay. So you are not
24 saying that steel didn't play any role, but you will
25 talk about that later?

1 You are arguing, if I understand correctly,
2 that whatever was going on in in steel was overwhelmed
3 by what was going on at the Commerce Department?

4 MR. IKENSON: Well, on the Chinese side we
5 think that is absolutely true, but on the U.S. side we
6 have said that our steel costs have been increasing,
7 and our prices have not been able to match the
8 increased costs, so we have been seeing price
9 suppression in the first quarter by reason of that
10 phenomenon.

11 What you don't see in the first quarter is
12 what has been happening to our steel costs that have
13 been incurred in the fourth and first quarter, which
14 will be reflected in our second quarter results,
15 because the steel prices have been increasing for us.
16 And so if there is price suppression and we can't
17 match those steel cost increases, we are going to have
18 tremendous difficulty, as you understand.

19 COMMISSIONER PEARSON: Okay. Respondents
20 maintain that Chinese ironing table producers are
21 operating at high rates of capacity utilization, and
22 facing electricity shortages along with the increased
23 steel price. Respondents argue that these factors,
24 among others, indicates that Chinese imports do not
25 threaten the domestic industry with material injury.

1 Could you please address that argument?

2 MR. IKENSON: Commissioner, I can try. Mr.
3 Graves or Mr. Deppen wish to add, I would invite them
4 to.

5 But from our examination of the record, much
6 of which is confidential, we know that -- I know I can
7 say this; that the questionnaires went out to, I
8 believe, 23 different foreign producers, and four have
9 responded. So you have a paucity of information
10 regarding total Chinese capacity. And in fact one
11 company that claims to be the largest did not even
12 complete a questionnaire for the final phase of the
13 investigation.

14 So we think that the capacity -- the record
15 doesn't show the full extent of the capacity, and we
16 know that it's very easy to move between producing one
17 metal -- fabricated metal product and another, so the
18 product shifting is essentially huge.

19 And with respect to the electricity issue,
20 this is something that we just saw in one of the
21 articles that respondents provided to us. We have not
22 had a chance to fully research that. We will look
23 into that.

24 COMMISSIONER PEARSON: Okay. Please comment
25 on the expectation that demand for ironing tables in

1 the Chinese home market will increase as consumer
2 incomes and housing starts rise.

3 In other words, are they going to start
4 absorbing more of their ironing tables?

5 MR. GRAVES: I don't have any data to
6 support that. I am not an expert on the Chinese
7 market. I focused on domestic sales.

8 In my own brief experiences visiting retail
9 outlets in China, I usually don't see any ironing
10 tables for sale, so I'm not sure that's going to be a
11 big factor. I'm not aware of it.

12 MR. IKENSON: We also know from the
13 confidential record there are certain projections by
14 some of the various producers, Chinese producers,
15 including responses at the preliminary phase, which
16 might be instructive.

17 COMMISSIONER PEARSON: Okay. Yet another
18 argument by the respondents is that the U.S. industry
19 has performed well over the period of investigation,
20 generating high levels of profitability to HPI despite
21 the 2001 - 2002 recession. Respondents state that as
22 the U.S. economy emerged from the recession, in
23 interim 2004, most of the production and financial
24 indicators have registered market improvement over
25 previous year levels.

1 Is this an accurate description of the state
2 of the domestic industry

3 MR. BRADLEY: I think not. Much of my
4 response in terms of looking at specific numbers I
5 would like to do in confidence, but I would point out
6 that the suggestion that the U.S. economy recovered in
7 the first quarter of 2004 is a bit off. I mean,
8 recovery really started in 2002. And as you well
9 know, the third and fourth quarters of 2003 were
10 record growth for the overall economic condition.

11 So what happened in the first quarter of
12 2004 was not the economic recovery, it was in fact, as
13 Mr. Ikenson said, the preliminary dumping margins, and
14 that's what changed the economic conditions in the
15 industry.

16 In terms of what it's done specifically to
17 HPI's indicators, I would not agree with their
18 characterizations, and I would prefer to do them in
19 confidence if that's appropriate.

20 COMMISSIONER PEARSON: A somewhat related
21 item, in compiling their ironing tables' price series
22 the respondents made two adjustments.

23 First, respondents' price series begins in
24 the third quarter of 2002 because, they argue, it was
25 during that quarter that Whitney Design began

1 importing ironing tables from China in commercially
2 significant volumes.

3 Second, respondents combined the price data
4 for products 1 and 2. They argue that doing so
5 extends to petitioners the benefit of the doubt since
6 you have argued that Chinese mesh-top ironing tables
7 compete head to head with and are fungible with the
8 perforated-top ironing tables you produce.

9 Do you agree with respondents' methodology

10 MR. BRADLEY: Thank you. In terms of the
11 first issue, the timing, I would suggest we look at
12 all of 2002 instead of just start in mid-year, but I
13 would agree with them that the action in terms of
14 price competition really did start occurring in 2002,
15 and have no objection to beginning it at that time.

16 In terms of the second methodology, one is
17 always a little dubious when the other side offers to
18 help you and looked for, but I would suggest that
19 really what they have done is they have taken the
20 apples and oranges issue and sort of combined it in --
21 not to make a bad joke -- fruit salad. But you know,
22 I think putting together actually confounds that issue
23 as opposed to clarifying it and making it more
24 ruminative to the Commission.

25 So no, I would not agree with that

1 methodology. Indeed, I don't think it's particularly
2 favorable to the petitioners' side because it
3 implicitly establishes inequality between Chinese mesh
4 and domestic perf, and it's our sense that Chinese
5 mesh really has been underselling domestic perfs by
6 bringing that mesh price down through time.

7 So no, I would resist putting them together.
8 Although I thank them for their consideration, I would
9 suggest that that would not be the appropriate value.

10 COMMISSIONER PEARSON: Any other comments on
11 that? General agreement among the panelists?

12 MR. IKENSON: Commissioner, there may be
13 additional information which will be confidential and
14 difficult to explain now. I would like to reserve the
15 right to put that in our post-hearing brief to respond
16 to your question.

17 COMMISSIONER PEARSON: Okay, that's fine.

18 My light is changing so I will terminate.

19 CHAIRMAN OKUN: Well, thank you, and I would
20 like to just continue on the price comparison question
21 if I could with regard to the argument that you have
22 made both in your brief, and Mr. Bradley, in your
23 presentation.

24 You talked about direct imports are
25 comparable to import sales, and how we should look at

1 those. In this record where we know that at least
2 some imports of ironing tables are made by a firm that
3 imports the product and then sells them directly to
4 consumers, you may be aware, isn't our normal way to
5 collect data at that level because I think it can be
6 argued that we're talking about a different level of
7 trade.

8 And I wanted you to comment on what type of
9 analysis and comparisons we can make or should make
10 with those, keeping in mind such issues as would the
11 purchase price or the acquisition cost of that
12 retailer be comparable to the sales prices of U.S.
13 producers and U.S. importers which have signed arms-
14 length, and presumably with a markup to retailers.
15 How do we take that into accounts? And if you can
16 comment on that now, I mean I obviously want to see
17 some more in the post-hearing, but I will give you an
18 opportunity now.

19 MR. BRADLEY: Thank you, and we will follow
20 up in more detail.

21 I am sensitive to the fact that this is not
22 the normal comparison, and it is an issue to be worked
23 through. In thinking through it myself I think two
24 points to be considered.

25 One is, at what stage is the direct import

1 price being reported? That is to say, is it being
2 reported in the home country? Is it being reported
3 FOB U.S.? Is it being reported at the domestic
4 facility?

5 And I think that's helpful to the Commission
6 in sorting out your second question, which is, what's
7 the gap, what's the difference between the arms-length
8 importer sales and the direct imports.

9 My sense here is that really the only
10 difference between the two is the markup, that the
11 prices that the Commission receives included
12 everything else, and I have some ideas on how to
13 address that, but I think they need to be put in the
14 post-conference brief.

15 CHAIRMAN OKUN: Okay. I will look forward
16 to that and obviously we will give the respondents an
17 opportunity to do the same as well as we continue to
18 settle this pricing data here.

19 Let me also related to pricing go to one
20 point with regard to -- well, I guess the high-end
21 boards and I know you have spoken about it, but I just
22 want to make sure I understand, and again, I
23 understand what we have in the record about the large
24 percentage being, I think you used the 75 percent
25 figure as the majority of the market being in these t-

1 legs.

2 But if you are looking at what portion, both
3 you in the petitioners' brief and respondents have
4 characterized there being these segments, a high-end
5 segment and a low-end segment. I don't think we have
6 in our record at this point the percentage that would
7 be attributable of the Chinese imports that you would
8 classify as being high-end imports.

9 Is that information something that can be
10 provided, that can be broken out, at least I guess for
11 your imports it can, and how we should evaluate that
12 if I want to take a look at that number?

13 MR. IKENSON: Madam Chairman, the answer is,
14 with regard to our imports, we have already attached
15 an exhibit to our post-conference brief which took us
16 up through the first quarter of 2003. We will update
17 that and bring it up to first quarter 2004, so you
18 clearly will get very detailed report on this between
19 imports and what we produce. And you will also see
20 the different types of tables that are being imported
21 and produced here.

22 With respect to the mix in imports
23 generally, we really are going to have to scour
24 through the records to see to what extent we can
25 subtract out products which we know to be mesh t-leg

1 and perf t-leg. My belief is that we do have the
2 ability to do that, and I think the Commission and the
3 staff have those data available where product was
4 broken down by type.

5 So it's in the questionnaire responses, but
6 we will be able to aggregate it and give you a correct
7 number.

8 CHAIRMAN OKUN: And is it your sense that
9 you are both -- both the respondents and the
10 petitioners, that you are both referring to the same
11 type, the Chinese imports that you would refer to as
12 high end not produced domestically, that you agree on
13 the definition?

14 MR. IKENSON: I think the problem may be
15 here, there is a breakout, for example, in purchases
16 of mesh t-leg, perf t-leg, and then four-leg tables.
17 So the four-leg tables is not -- may not adequately be
18 broken down in the request for data. So high end
19 doesn't mean four legs. There are some four legs that
20 can serve as an opening price point table, so that's
21 where we may have a little bit of noise.

22 You will be able to see --

23 CHAIRMAN OKUN: Stay with your microphone,
24 please.

25 MR. IKENSON: I'm sorry. You will be able

1 to see the volume of four-leg table imports. You
2 won't be able to -- I don't think -- we will have to
3 analyze the record very carefully. I don't think we
4 will be able to differentiate between the really high-
5 end products, the products that sell at 39 and 49
6 dollars retail, even \$29 retail. There are products
7 like that. They are a very small percentage of
8 volume, but they are like that in there; that there
9 are also four-leg tables that sell at 19.99 retail.

10 CHAIRMAN OKUN: That are produced
11 domestically?

12 MR. IKENSON: Oh, absolutely, absolutely.

13 So we will give you a complete split of what
14 we produce by type. I don't think we are going to be
15 able to give you the analogous split of the imports,
16 but we will give it our best shot.

17 CHAIRMAN OKUN: Okay. Mr. Graves, let me go
18 back on one question about the difference between line
19 reviews and the internet auction.

20 You referred to the internet auctions as
21 being a weighted average price, that when you bid it
22 is a weighted average price. Is that different than
23 in a line review?

24 MR. GRAVES: Yes, it is. Usually -- well,
25 there have been some auctions with multiple products

1 that weren't weight average, but it's the typical way
2 to do it if you have more one item in a market basket
3 versus a line review where normally your items and
4 prices are considered individually.

5 CHAIRMAN OKUN: Okay. One of the things for
6 post-hearing because the information here is
7 confidential is on the internet, the information that
8 the staff has collected on the internet auction, I
9 would like your analysis of how we take into account
10 this weighted average price which includes a basket of
11 goods, some of which, I guess, are along the continuum
12 of prices and how we would evaluate that.

13 MR. GRAVES: Okay, we can do that.

14 CHAIRMAN OKUN: And also, and this may be
15 something you can just answer here, which is, when we
16 are looking at the lost sales, lost revenues and the
17 product descriptions, would these all be sales --
18 would any of these be a situation where you would have
19 also had multiple products that you bid at the same
20 time in a basket?

21 MR. GRAVES: Where some of our losses is a
22 result of the baskets, yes, there will.

23 CHAIRMAN OKUN: Okay, so if I could ask --
24 excuse me, Mr. Ikenson.

25 MR. IKENSON: We have to reexamine that.

1 The lost sales and lost revenues allegations, I would
2 have to reexamine to see whether any of those covered
3 baskets. There were some very specific product
4 losses, relevant to specific products, but I --

5 CHAIRMAN OKUN: I know the report. I just
6 want to make sure if you can go back and comment on
7 whether it would be a situation where -- similar to
8 the way I have seen somebody describe with regard to
9 the reverse auctions where you would have had a basket
10 bid, and I want to make sure that we're not just
11 seeing one product pulled out of there when it's part
12 of a basket being bid on.

13 MR. IKENSON: Understood. We will do that.

14 CHAIRMAN OKUN: Okay, I appreciate that.

15 Then one other question with regard to kind
16 of our big purchasers. Do any of them have any
17 restrictions when you are bidding on carrying only one
18 line? Like in other words, does a Target not want to
19 purchase a product that's also being at Wal-Mart? Are
20 there any type of restrictions on who is selling at
21 these big stores?

22 MR. IKENSON: No, there is no formal
23 restrictions of that type. They are free to, you
24 know, have a line review with anybody they wish to
25 invite to it, or that request to be participating in a

1 line review. So in our classes of goods they are
2 generally unbranded, or more specifically, retailer
3 branded, so the difference in suppliers is kind of
4 anonymous to the consumer.

5 CHAIRMAN OKUN: Anonymous to the consumer,
6 but is there any restriction when something is being
7 bid for you? In other words, if you are supplying one
8 store and they have got a market for their K-Mart
9 brand or Wal-Mart brand or Target brand --

10 MR. IKENSON: Right.

11 CHAIRMAN OKUN: -- would Target or anyone
12 else say we're not going to mark that as our own brand
13 because it's already being sold?

14 MR. IKENSON: Right. The only restrictions
15 I can think of there would be a big product that we
16 have developed as part of a proprietary program, which
17 we have done for a retailer. Just to give an example,
18 the Martha Stewart program in K-Mart, this was a
19 product we would have developed specifically, and then
20 we would be restricted from selling that exact same
21 product to another retailer, and another retailer
22 might have their own similar program where the
23 opposite would apply.

24 CHAIRMAN OKUN: Okay. And would you
25 describe that as being --

1 MR. GRAVES: It's a very small part of the
2 business. They're all high end products and, again,
3 would represent that minority part of the market.

4 CHAIRMAN OKUN: Okay. I appreciate that
5 further information on that.

6 I have some other questions, but that
7 finishes kind of the line of thought that I wanted to
8 do on that, so let me turn to Commissioner Miller.

9 COMMISSIONER MILLER: Thank you, Madam
10 Chairman.

11 I really only had one more question and it
12 was the first question the chairman just asked about
13 the implications for our data when you may have a
14 retailer that's importing directly, so I'll be
15 interested in your response, Mr. Bradley.

16 I was interested in your response to her and
17 I will look very carefully at what you provide for the
18 post-hearing submission because I think there is an
19 issue about our data there, but I guess I would just
20 sort of pose the same question or a similar kind of
21 question, a related question, to the companies and
22 that is to the extent that any retailers is importing
23 directly, to the extent you're aware of that or is it
24 changing the dynamics of the marketplace for you or
25 that's not really something that you're particularly

1 either aware of or care about or whatever?

2 Any comments?

3 MR. GRAVES: Well, direct importing is a
4 significant factor in our business, the preponderance
5 of products made offshore typically in Asia,
6 specifically, China. We face that in all of product
7 categories and we feel very much that we need to
8 remain viable, need to be competitive with that.

9 COMMISSIONER MILLER: You say that's
10 something in all your product categories, that the
11 retailers are directly importing from the foreign
12 producer and not necessarily using an importer to
13 facilitate that trade?

14 MR. GRAVES: That's increasing in most of
15 our businesses, that potential for a retailer to
16 import the product directly from China.

17 COMMISSIONER MILLER: I have no further
18 questions.

19 I appreciate all the testimony and all of
20 the answers that you've given today. Thank you very
21 much.

22 CHAIRMAN OKUN: Commissioner Koplan?

23 COMMISSIONER KOPLAN: Thank you, Madam
24 Chairman.

25 Mr. Ikenson, if I can start with you,

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1 I think you suggested a bit ago that the improvement
2 to prices and performance in the first quarter of 2004
3 was due to the announcement of the Commerce
4 Department's calculations of high less than fair value
5 margins. Am I correct in that recollection?

6 MR. IKENSON: Yes.

7 COMMISSIONER KOPLAN: Okay. Let me --

8 MR. IKENSON: At least in part and perhaps
9 in major part.

10 COMMISSIONER KOPLAN: A major part?

11 MR. IKENSON: Yes.

12 COMMISSIONER KOPLAN: Let me stay with you
13 on that for a second. These margins, though, were not
14 announced until February 3rd of this year. That's in
15 Appendix A to our staff report. That's the Federal
16 Register notice. And I thought you had previously
17 suggested that there's a lag of several months in this
18 industry. So if there is such a lag and this didn't
19 come out until the beginning of February, how could
20 this have affected prices so quickly where prices are
21 typically set by reviews once a year?

22 I don't see in looking at the first quarter
23 of 2004 how the announcement on February 3rd is
24 attributable to what I'm looking at in my table.

25 MR. IKENSON: Actually, Professor Bradley

1 will answer that question. I just would point out to
2 you the information was known a week earlier.

3 COMMISSIONER KOPLAN: A week earlier?

4 MR. IKENSON: Yes. It was known in the end
5 of January. I realize it doesn't affect the tenor of
6 your question, but February 3rd was the official
7 publication date and we already were getting feedback
8 from the market a day after Commerce had announced its
9 preliminary results, but I'll let Dr. Bradley --

10 COMMISSIONER KOPLAN: Dr. Bradley, it seems
11 to me there's a bit of a stretch. Can you help me
12 out?

13 MR. BRADLEY: Yes. Thank you. It's an
14 excellent question, a very good question.

15 I think it's important as we tried to
16 explain in the prelim and I really didn't make clear
17 today to think about what these line reviews do.
18 Specifically, the line reviews set an agreement to buy
19 the product from the supplier and they propose a price
20 at which the product will be shipped. However,
21 they're not contracts and, I think as Mr. Graves would
22 agree, it is not unusual for price changes to take
23 place within the year of the line review. For
24 example, if materials costs go up, they would go in
25 and raise their price.

1 COMMISSIONER KOPLAN: But I'm looking at a
2 60-day period here.

3 MR. BRADLEY: Right. Right. Okay. What
4 I'm suggesting is that immediately upon the
5 announcement of the prelim results retailers at that
6 point have the flexibility, because they're not
7 contracts, to shift their sources of supply, so
8 literally what happened was in anticipation of the
9 announcement they were prepared to do so and after the
10 announcement it was easy for them at that point to
11 contact HPI and say, look, I'm interested in buying
12 from you now because I'm worried about these margins.

13 So it's not so much that --

14 CHAIRMAN OKUN: Can you document that?

15 MR. BRADLEY: Yes, we can. It's not so much
16 that there was another line review, but within the
17 established parameters --

18 In addition, we have to keep in mind some
19 retailers split their distribution, so it's not
20 necessarily one-to-one from a supplier to a retailer
21 and, obviously, that makes it very easy to make the
22 transition. But we will provide the details in
23 confidence.

24 COMMISSIONER KOPLAN: That would be helpful.
25 Yes.

1 Let me come back to a question Commissioner
2 Pearson asked, when he asked about the state of the
3 domestic industry. What I'm trying to understand is
4 if you've been unable to cut your raw material and
5 energy costs and pass them along to your customers in
6 the form of higher prices, how have you been able to
7 achieve the profit levels that had existed during the
8 period of examination that I'm looking at in Table
9 C-1?

10 I can't get into the numbers there, but you
11 know what I'm referring to. The numbers are actually
12 confidential, but I'd like you to either respond to
13 that here or in the post-hearing.

14 Mr. Ikenson, you look like you're reaching
15 for your microphone.

16 MR. IKENSON: I need about 30 seconds.

17 COMMISSIONER KOPLAN: Could you just move
18 the mike directly in front of you?

19 MR. IKENSON: I need about 30 seconds to
20 refresh my recollection to see whether I can respond
21 publicly.

22 COMMISSIONER KOPLAN: Sure. I'm counting.

23 MR. BRADLEY: While he's looking, there are
24 indeed other costs that have changed and I don't want
25 to be any more specific than that, but they have taken

1 other actions to support or preserve their
2 profitability and I will detail those as we can.
3 I think they would prefer we don't do them in public,
4 but I will do them post-conference.

5 COMMISSIONER KOPLAN: Good. I appreciate
6 that.

7 Ten seconds, Mr. Ikenson.

8 (Pause.)

9 MR. IKENSON: I can give part of the answer.

10 COMMISSIONER KOPLAN: Go ahead.

11 MR. IKENSON: There are certain numbers that
12 are in that report where you see a trend which shows
13 not what you suggested, Commissioner.

14 I think I can say publicly there's been a
15 very substantial decline in profits over the period, a
16 substantial decline in profits.

17 COMMISSIONER KOPLAN: Well, I'm looking at
18 first 2001 through 2003.

19 MR. IKENSON: Yes.

20 COMMISSIONER KOPLAN: Okay. Maybe you can
21 walk through that in the post-hearing submission.

22 MR. IKENSON: Okay. We'll be pleased to do
23 that.

24 COMMISSIONER KOPLAN: Thank you.

25 MR. IKENSON: We distinguish between the

1 ratio of profit to revenue and profit. It's an
2 important distinction. The other side is very quick
3 to point to profitability ratio and suggest that
4 somehow we could exclude consideration of everything
5 else. I'm not suggesting that our profitability
6 ratios are high, but if you just look at profitability
7 ratio, the suggestion they're making is to pretty much
8 decide the case, that somehow we can be perceived as
9 being healthy.

10 It's wrong for a couple of reasons. First
11 of all, all that the lawyers on the other side have to
12 do is just ask themselves if at the end of their
13 business year the managing partner would tell them,
14 ladies and gentlemen, we've learned that your revenues
15 have just fallen from \$10 million to \$5 million, but
16 the profits of the firm have gone from \$5 million to
17 \$2.5 million, profitability has stayed exactly the
18 same. Would they be unhappy? I think so.

19 If their profitability ratio went up, let's
20 say the revenues fell but the profit to revenue ratio
21 increased so that instead of making a certain amount
22 of profit last year, instead of making half of it this
23 year they've made 40 percent less, that's not
24 something to pop the champagne cork over. So I think
25 we have to look at profit as an absolute level and see

1 what's been happening to that.

2 I had a second point and my age is getting
3 in the way of letting me remember, but if it comes
4 back to me I hope I'll be given an indulgence. Thank
5 you.

6 COMMISSIONER KOPLAN: Certainly. You can
7 come back to it.

8 Thank you, Madam Chairman, for pulling me
9 back.

10 MR. IKENSON: I remember.

11 COMMISSIONER KOPLAN: I knew you would.

12 MR. IKENSON: It really goes to the
13 fundamental legal framework in which you decide your
14 cases. Going back to 1979, when Congress moved the
15 antidumping provisions from the '21 Act into the
16 Tariff Act of 1930, it took the pains to instruct the
17 commission to consider certain factor when you make
18 your decision: import volume and growth, price effect
19 and impact on the industry. That was the directions
20 to the commission from day one, when the '79 Act was
21 passed.

22 During the 1980s, a number of your
23 predecessors adopted a methodology which was called
24 the two-step method where they first asked the
25 question is the domestic industry healthy and if the

1 answer was yes, that was the end of the inquiry and
2 they would vote negative.

3 COMMISSIONER KOPLAN: Let me just say I want
4 to get a few more questions out.

5 MR. IKENSON: I'm sorry.

6 COMMISSIONER KOPLAN: Can we suspend this
7 and come back to it?

8 MR. IKENSON: I'll be pleased to.

9 COMMISSIONER KOPLAN: That would be great.
10 Thank you.

11 Respondents argue at pages 37 to 41 that the
12 Chinese do not have significant idle capacity to
13 generate a surge of subject imports and that the ratio
14 of Chinese units produced to average production
15 capacity has remained high.

16 Similarly, they argue that Chinese capacity
17 utilization is correspondingly high and, importantly,
18 their sheet steel costs have increased 40 percent
19 since last August when we rendered our preliminary
20 determination.

21 They conclude that when these factors are
22 viewed in combination with the lack of a high
23 inventory overhang what remains is insufficient for an
24 affirmative threat determination.

25 What do you respond? Do you want to do that

1 post-hearing?

2 MR. IKENSON: I think so. It was a point
3 that I had made earlier in response to Commissioner
4 Pearson that the record respecting foreign capacity is
5 quite incomplete and inadequate, but we'll respond in
6 the post-hearing.

7 COMMISSIONER KOPLAN: Thank you.

8 Now, Mr. Avery --

9 CHAIRMAN OKUN: Oh, look.

10 COMMISSIONER KOPLAN: It's the last day.

11 CHAIRMAN OKUN: I'm not being nice to the
12 commissioners on my last day, only the parties.

13 We're very near the end. You just go right
14 ahead, Commissioner Koplan.

15 COMMISSIONER KOPLAN: Thank you, Madam
16 Chairman.

17 CHAIRMAN OKUN: You might forget it before
18 you get back to the next round.

19 COMMISSIONER KOPLAN: Actually, I've got it
20 in writing for that very reason.

21 Mr. Avery, I note a June 2, 2004 press
22 release issued by HPI states that your company has
23 entered into an agreement with Mr. Tenet's company,
24 who also happens to be your chairman and chief
25 executive officer, that he intends to buy the company

1 and take it private.

2 If you can tell me, what would the benefit
3 be of investing in the company now which you allege is
4 facing injury by unfairly traded Chinese imports? How
5 has this investigation influenced the reported
6 decision to take the company private?

7 MR. AVERY: I don't think I'm in a good
8 position to answer the question. Mr. Tenet is the one
9 who has made the offer to buy the company. We can
10 comment on it --

11 COMMISSIONER KOPLAN: Could we get a
12 response for purposes of the post-hearing?

13 MR. AVERY: Pardon me?

14 COMMISSIONER KOPLAN: Could we get a
15 response?

16 MR. AVERY: Absolutely. We'll give you a
17 confidential response.

18 COMMISSIONER KOPLAN: Thank you, Madam
19 Chair.

20 Thank you for that. I'd like to see that
21 post-hearing, if I could.

22 CHAIRMAN OKUN: Commissioner Lane?

23 COMMISSIONER LANE: Thank you. I'm afraid
24 now if I forget a question I'm going to also be made
25 fun of.

1 I think we need to understand that
2 Commissioner Koplan is going to be charge of our
3 hearings for the next couple of years and we should be
4 nice to him.

5 COMMISSIONER KOPLAN: I would not have
6 brought that up.

7 COMMISSIONER LANE: Professor Bradley, you
8 stated in your presentation that in this industry if
9 production volumes decline the average cost per unit
10 goes up. I understand that, but let's assume that
11 factors such as productivity or raw material costs
12 actually resulted in lower average cost per unit, even
13 in the face of declining market share.

14 In a competitive industry, even a fairly
15 competitive industry, would you expect price declines
16 to reflect these lower average costs per unit?

17 MR. BRADLEY: If understand the question,
18 the scenario is -- put aside economies of scale, if we
19 have lower material costs and lower, say, labor costs
20 that reduce the unit cost of the product?

21 COMMISSIONER LANE: Yes.

22 MR. BRADLEY: Would that translate into
23 lower prices?

24 COMMISSIONER LANE: Yes.

25 MR. BRADLEY: Is that what the question is?

1 I think that the answer to that is yes, we
2 would expect to see that in any competitive industry,
3 as efficiency gains take place. That will allow some
4 reduction in price unless the manufacturer responds to
5 the cost savings by essentially enhancing quality. In
6 other words, there's two ways that they respond to
7 these efficiencies. One would be to have competition
8 drive down the price, but the other way they sometimes
9 respond is to up the quality of their product and keep
10 the price the same.

11 So I think that to the extent that we
12 would -- yes, I would say to the extent that there are
13 efficiency gains, they would be reflected in the
14 ability to charge lower prices and I think in this
15 case HPI's efficiency gains were stirred in part by
16 the necessity to lower prices to try an unsuccessful
17 attempt to keep their market share.

18 COMMISSIONER LANE: Okay. Thank you.

19 I want to go back to a follow-up to a
20 question I asked earlier that you're going to respond
21 to post-hearing and a question similar that
22 Commissioner Koplan asked.

23 I understand your focus on absolute levels
24 of profits and not on ratio to sales, but what if we
25 looked at a ratio to assets employed in the

1 manufacture of ironing tables? Does that ratio show a
2 much more significant decline from 2001 to 2003?

3 MR. BRADLEY: I think there are some
4 important issues associated with how one calculates
5 that ratio and the appropriate way to do so, but
6 I would like to -- I think it's an excellent question,
7 but I would like to respond to it in confidence
8 because some of those issues relate to HPI's internal
9 decisionmaking and if that would be acceptable I would
10 prefer to do that --

11 COMMISSIONER LANE: Yes, that would be fine.

12 MR. BRADLEY: Thank you.

13 COMMISSIONER LANE: While I have you on the
14 hot seat, as I understand your argument as discussed
15 in your pre-hearing brief, you are saying that we
16 should look at a premium of mesh topped tables over
17 perforated top tables and if the evidence shows a
18 significant collapse of that premium, is that the
19 equivalent of underselling?

20 MR. BRADLEY: Certainly economically it
21 would be in the sense that, as I tried to explain
22 before, that if I have two products, one is selling --
23 let's make up a number -- 30 percent more than the
24 other before the imports appear and the price of that
25 higher product is what's being imported, the

1 30 percent higher one, to the extent that that price
2 falls to match the lower price, I would consider that
3 to be underselling, yes, because it's a higher priced
4 product and even though the absolute price is the
5 same, the relative price between the two products has
6 changed. And that's really how people make their
7 decisions on the relative price, so I would suggest
8 that that would be. Yes.

9 COMMISSIONER LANE: Okay. On page 26 of
10 petitioners' brief, you state that a given retailer
11 typically does not carry both perforated top T-legs
12 and mesh top T-legs in the opening price point
13 segment. Why not?

14 MR. GRAVES: I think a more precise answer
15 would be they wouldn't in the same store carry them
16 simultaneously. We do, as it's been noted, share
17 distribution at a major retailer where our product
18 that we offer at the opening price point is a
19 perforated top and the competitor's is a mesh top, but
20 typically there's going to be one entry, one product
21 at opening price point, so therefore you're going to
22 have -- I should mention that split distribution is a
23 geographic split, not side-by-side, so typically
24 you're going to have one product offered at opening
25 price point and then it's going to be either a perf or

1 a mesh top.

2 COMMISSIONER LANE: Okay. Thank you.

3 Information on the record indicates that
4 some imports of ironing tables are made by a firm that
5 imports the product and then sells them directly to
6 consumers. Commission staff does not normally include
7 such data in the price series used to determine
8 margins of underselling or overselling between the
9 selling prices of the U.S. produced product and the
10 imported product.

11 Petitioners argue that these direct import
12 data should be included in the comparison. However,
13 doing so seems to mix prices at different levels of
14 trade.

15 Please comment on the comparisons that can
16 and should be made with these direct import data.

17 MR. BRADLEY: I think we have a request,
18 actually, several requests, to indicate how we would
19 make that comparison the appropriate one. Without
20 going into the details of it, the point that I'm
21 trying to make is that in this particular case direct
22 imports are a big part of the story and somehow
23 I think they need to be included in the analysis,
24 whether it's through the traditional mechanism or
25 another mechanism, I think that they need to be

1 considered and to do so I think one has to look at
2 what are the -- to say that they're a different level
3 of trade is fine, but I don't think one should stop
4 there.

5 I think one should say what are those
6 differences and what can be done to ameliorate those
7 differences because I think the record would be far
8 less complete leaving them out than having them, say,
9 even imperfectly compared.

10 So I think we will suggest a way that that
11 could be done appropriately in the post-conference.

12 COMMISSIONER LANE: Okay. Thank you.

13 Mr. Ikenson, I think you talked about the
14 \$99 table. What are the characteristics of a \$99
15 table that we don't have here today?

16 MR. IKENSON: Commissioner, I don't think
17 I referred to a \$99 table, but there are certainly
18 fully featured high priced tables. I would prefer, if
19 you don't object, that Mr. Graves would respond to
20 that.

21 COMMISSIONER LANE: Okay. Thank you.

22 Yes, Mr. Graves?

23 MR. GRAVES: The higher retail priced
24 ironing tables are typically going to have a larger
25 ironing surface, so you might go from 13 or 14 inches

1 wide to 18 inches wide. The European style is what we
2 would refer to it as. You also would have
3 enhancements like an iron rest, a place to put your
4 iron on the back of the table; a linen rack that is
5 positioned off the leg where you can fold towels or
6 your clothing and store it there. Things like cord
7 holding devices or even electrical outlets integrated
8 into the ironing table. Those would be typical
9 enhancements you would have at the higher end, plus
10 you might have a different finish, going from a
11 painted or a coated surface to a chrome plated finish
12 which is going to add cost to the product as well.

13 COMMISSIONER LANE: And do these tables that
14 we're talking about, are they mesh or perforated?

15 MR. GRAVES: They would without exception,
16 I believe, be mesh.

17 COMMISSIONER LANE: Okay. Thank you.

18 Now, the one other questions I had was do
19 your customers have a big event during the year in
20 which they're pushing ironing tables and trying to
21 sell a lot of them on a particular day or period of
22 time?

23 MR. GRAVES: About 60 percent of the units
24 are sold in a four to five-month period, which is
25 generally considered back to school. Whether they're

1 actually purchased for college bound people or just
2 because you have more foot traffic in the stores due
3 to the back to school period, it's debatable.

4 Some of them are positioned for the youth
5 market, the teenage market, if you will, but really
6 I think it's more a function of just increased traffic
7 in the stores, therefore more unit sales during that
8 period.

9 COMMISSIONER LANE: Okay. Thank you.

10 CHAIRMAN OKUN: Commissioner Pearson?

11 In your brief at pages 41 and 42, you're
12 responding to a couple of arguments, one being whether
13 HPI drove down prices in the period prior to the
14 POI and what impact the Chinese had.

15 You cited in your brief a chart on page 42,
16 footnote 84, which talked about the average real
17 selling price for the perforated T-leg calculated by
18 deflating HPI's average perforated top T-leg price by
19 the producer price index and it has some statistics
20 where it comes from. It's from '97 to 2003.

21 I was just curious, I'm looking at that
22 chart and if I went from '97 to '99, I see the same
23 downturn that you're claiming to be caused by Chinese
24 prices from, I guess you're looking at, you know, if
25 you look at '02 and '03 it would be the same.

1 I just wanted your comments on that because
2 to me, this whole chart shows prices have been going
3 down since '97 and I'm not sure it supports the
4 argument that I can see in this particular pricing
5 series, that I see a big impact from the Chinese
6 coming in different than I saw from other periods that
7 I could look at.

8 MR. BRADLEY: Again, without doing the
9 specific numbers, I would suggest and maybe the
10 graphics aren't particularly effective, but I don't
11 think we were trying to make the point that prices
12 never fell prior to the arrival of Chinese imports.

13 As you were mentioning before, there were
14 certainly efficiency improvements, quality
15 improvements that could lead to modes changes in
16 prices that were associated with the market and so
17 I don't think the argument was that there was never
18 any price declines whatsoever, but rather the point
19 was that HPI was not in the position of aggressively
20 driving down prices anywhere in the magnitude of the
21 price increases that we saw in 2002 and 2003.

22 I would just suggest, for example, that
23 numerically the decline that you would see in just
24 2000 alone would exceed the cumulative declines in all
25 the previous years. And so maybe that wasn't made

1 very clear in the chart, but I'll give you the
2 numbers.

3 CHAIRMAN OKUN: I just don't think the chart
4 supports that. Again, you go '97 to '99, well, prices
5 went down is the same as '02 to '03, if I've got my
6 math right here.

7 MR. BRADLEY: I don't think so.

8 CHAIRMAN OKUN: I'm just not sure -- I mean,
9 you can look at it, it's one -- these are not
10 proprietary numbers.

11 MR. BRADLEY: I think they are. Which chart
12 are we doing? I'm sorry. Are you doing the table or
13 the chart?

14 CHAIRMAN OKUN: The table.

15 MR. BRADLEY: Oh, I'm sorry. I'm sorry.
16 I completely misunderstood you.

17 CHAIRMAN OKUN: Okay. I'm sorry. I'm
18 talking about the --

19 MR. BRADLEY: Yes. Those numbers are --
20 your question is what was happening with general
21 prices for non-metal household furniture?

22 CHAIRMAN OKUN: I'm just saying to me this
23 chart is not supportive of the argument that you're
24 making above. If I look at that chart for those
25 years, I don't see more movement during the period

1 prior to Chinese imports than I do in the period that
2 you're focused on.

3 MR. BRADLEY: Got it. Got it. Thank you.
4 I'm sorry.

5 CHAIRMAN OKUN: Okay.

6 MR. BRADLEY: This chart does not show
7 ironing table prices. This chart is a general price
8 deflater for what was happening to all goods in the
9 economy and, as you can see, commodity prices
10 generally were falling over that period, as you
11 suggest.

12 I didn't want to overstate the importance of
13 price declines, say, at the end by not adjusting them
14 for general price changes, so I would completely agree
15 with you, this chart does not support the point, nor
16 was it intended to. All here I was doing was
17 providing the values by which I did the inflation.
18 It's like doing the CPI if you're trying to adjust
19 housing prices, you provide the CPI.

20 What supports the point, I think, though, is
21 the chart, the picture in there which shows the
22 ironing table prices adjusted for inflation. That's
23 where I was trying to make the point. I think my
24 earlier comments will make more sense if you look at
25 the picture. I misunderstood that you were talking

1 about this table and I apologize for that.

2 CHAIRMAN OKUN: I know which chart you're
3 referring to. Okay.

4 MR. BRADLEY: Okay.

5 CHAIRMAN OKUN: All right. That's helpful,
6 but, again, I'm just trying to make sense of the
7 pricing and whatever else you're talking about.

8 MR. BRADLEY: This '97 to 2003 data really
9 are not -- these are not ironing table prices, these
10 are just a broad metal commodity price that one would
11 do to adjust for inflation.

12 CHAIRMAN OKUN: Okay. But you don't think
13 it says anything about -- anything more than that.

14 MR. BRADLEY: No, that's all it does.

15 CHAIRMAN OKUN: Okay. All right.

16 I've been sending my staff scurrying around
17 trying to find my Wal-Mart stuff because I found it a
18 fascinating story, but we can't find it, so I'm not
19 going to be able to ask that question about the
20 efficiencies gained by them and what effect that's
21 having on prices, so I think that's probably my last
22 question. Let me just check here. I won't forget it,
23 I'm sure.

24 I'm going to get off this line before I get
25 kicked out of here by my colleagues, after they said

1 nice things about me.

2 I'll stop there.

3 Commissioner Miller?

4 COMMISSIONER MILLER: I was finished, but
5 I only want to say, Mr. Ikenson, please do provide in
6 your post-hearing submission, I won't ask you to do it
7 now, the rest of the story you were about to tell us
8 in response to Commissioner Koplan when you were
9 talking about the commission history and the history
10 of applying the statute here. I would be interested
11 in hearing it, so I would invite you to supply it
12 post-hearing.

13 I think my only last comment is,
14 Commissioner Pearson and I sat up here and agreed that
15 once you figure out how to make the ironing board do
16 the ironing for us your market will take off, okay?

17 I appreciate all your testimony today.

18 CHAIRMAN OKUN: I will note that that was
19 the other question, I was going to invite Mr. Ikenson
20 to go ahead and finish what he wants to say in
21 post-hearing regarding -- oh, and I also agree with
22 make the ironing board do the ironing would be the
23 better one, but also that I would be interested in the
24 legal analysis and the history of bifurcation at the
25 commission. That preceded my time here.

1 Commissioner Koplan?

2 COMMISSIONER KOPLAN: Madam Chair, if
3 there's anything else that you might remember while
4 I'm still questioning, I'd be happy to yield the
5 balance of my time to you.

6 I do remember that I have one last thing
7 that I would like to cover with you all.

8 It's my understanding that in April of 2000
9 HPI opened an additional production facility in
10 El Paso, Texas to produce two-leg and four-leg ironing
11 tables and that that plant as closed in April of 2001
12 as it had not generated the additional sales that were
13 originally expected. The equipment was then moved to
14 the plant in Seymour, Indiana and used in lieu of
15 older equipment.

16 I'd like you to first of all confirm or
17 clarify this memory as needed, as well as respond to
18 the following brief questions.

19 First, how extensive was your firm's
20 investment in capital equipment and to what
21 approximate percentage did it increase your firm's
22 overall capacity to produce ironing tables?

23 Secondly, what is the current status of the
24 El Paso facility?

25 Mr. Ikenson?

1 MR. IKENSON: We will, of course, need to
2 address that in the post-hearing brief, Commissioner.

3 COMMISSIONER KOPLAN: Okay. I appreciate
4 that.

5 And with that, unless I've forgotten
6 something, I have no further questions.

7 CHAIRMAN OKUN: Commissioner Lane?

8 COMMISSIONER LANE: Yes, I have one
9 question.

10 On page 34 of respondents' brief,
11 respondents point to your improvement in the first
12 quarter of 2004 as compared to the first quarter of
13 2003 and state that it reflects recovery of the U.S.
14 economy. I understand Mr. Bradley is saying that the
15 U.S. economy started improving in 2002. But, anyway,
16 is the general health of the economy a condition of
17 competition the commission should consider? In other
18 words, is there some acceptable method of normalizing
19 data over time to reflect economic conditions?

20 MR. BRADLEY: Interesting question. That's
21 the kind of question one could write a one-minute
22 answer or a book and I'll try the one-minute answer.

23 I would suggest that in the event of a
24 particularly cyclical industry, and that is an
25 industry which tends to have its sales rise and fall

1 closely related to the business cycle, that it would
2 be important at that point for the commission to make
3 an adjustment in the data that it saw for the cyclical
4 variation and, yes, there are a variety of
5 mathematical and statistical methods one could use to
6 adjust for the cycle. And some goods are particularly
7 cyclical, maybe housing starts or construction or
8 something like that. Often high priced products that
9 require financing may be cyclical.

10 It's my sense that ironing tables are not a
11 particularly cyclical item, that is to say they're
12 relatively low budget, \$15 to \$20; they usually are
13 demanded when someone has a need to iron because it's
14 a new household and they usually are replaced when
15 they break or they wear out, not necessarily because a
16 snazzier model comes along.

17 So it's my understanding that ironing table
18 sales are not particularly cyclical or responsive to
19 the state of the economy and I don't think it's a
20 particularly important issue in this specific case.

21 COMMISSIONER LANE: Okay. Thank you.

22 That's all the questions I have.

23 CHAIRMAN OKUN: If there are no other
24 questions from my colleagues, let me turn to staff to
25 see if staff has questions of this panel.

1 MR. CORKRAN: Douglas Corkran, Office of
2 Investigations.

3 Thank you, Madam Chairman. Staff has no
4 additional questions.

5 CHAIRMAN OKUN: Thank you.

6 Let me turn to counsel for respondents.

7 Do you have questions for this panel?

8 MR. PERRY: No questions.

9 CHAIRMAN OKUN: Okay. I know we have a lot
10 to cover this afternoon, but this looks to be a good
11 time to take a lunch break.

12 Before we do so, let me thank this panel of
13 witnesses very much. It's been a long morning. We've
14 got a lot of information and we thank you very much
15 for that and for your continued cooperation as the
16 investigation continues.

17 We will take an hour for lunch. We will
18 reconvene at 1:30. I would remind the parties that
19 the room is not secure, so if you have confidential
20 business information, you need to take it.

21 With that, this hearing is adjourned.

22 (Whereupon, at 12:25 p.m., a luncheon recess
23 was taken.)

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1 //

1 Housewares, the previous name of Home Products
2 International. I worked at Seymour from 1986 until
3 1990, when Seymour was sold to an investment banking
4 group. After leaving Seymour, I joined another small
5 laundry products company. We eventually acquired the
6 number-two ironing board producer in the United
7 States.

8 Whitney is a corporation made up by
9 acquisitions of three laundry products companies
10 acquired in the 1990's. We combined those three
11 companies into one, creating Whitney Design.

12 Our primary product lines are ironing
13 boards, covers and pads for ironing boards, hampers
14 and sorters, and laundry accessories, and closet-
15 organization products.

16 The company was started in 1986 and has been
17 under the same senior management since 1990.
18 Obviously, our longevity and years in the industry
19 give us a keen understanding of the industry and the
20 historical knowledge to provide valuable information
21 to this Commission.

22 Today, the ironing board market is changing.
23 Most significantly, Chinese producers are facing
24 sharply higher production costs because flat steel,
25 the major feedstock in manufacturing ironing boards,

1 has reached record prices in China in recent months.
2 It is common knowledge that China's rapid urban and
3 infrastructure construction activity has resulted in
4 steel shortages and remarkably higher steel costs. In
5 addition, I understand that many Chinese producers
6 have been ordered off the electrical grid at least one
7 day a week, and as a result, are having to use high-
8 cost diesel generators, all contributing to dramatic
9 production cost increases.

10 Whitney imports principally from Sense
11 Hardware, and I understand that Sense's steel costs
12 are up significantly.

13 Higher import costs of ironing boards for
14 importers such as Whitney have tracked rising Chinese
15 production costs almost perfectly since late 2003.
16 The higher costs we are facing in importing ironing
17 boards are similar to, essentially the same as the
18 higher costs we were confronting on imports of other
19 steel-containing houseware products since last winter.

20 Significantly, I know that higher import
21 costs tied to the steel costs in China are being
22 reflected in higher prices to our customers today. Of
23 course, retailers pricing to their customers typically
24 lags cost changes by a few months because of contracts
25 and other commitments, but Chinese prices are

1 inevitably heading higher to match the trends in
2 import costs.

3 In its petition, HPI alleged that Whitney
4 closed its U.S. production in St. Louis because of the
5 availability of dumped imports. We devoted much of
6 our efforts at the staff preliminary conference
7 explaining in detail why that was not the case. At
8 the end of the conference, I specifically recall that
9 HPI's own economists indicated that this case wasn't
10 really about Whitney's facility closure at all.

11 I appreciate HPI's recognition that we
12 closed our U.S. production operations for reasons
13 unrelated to the imports from China. In truth, our
14 facilities were old and inefficient and had become
15 unprofitable at prices that HPI had established in the
16 market in the late nineties through 2002, when imports
17 from China were limited to high-end ironing boards
18 quite unlike the boards either HPI or Whitney made in
19 the United States.

20 Losing money every year was not our idea of
21 a going concern, and the closure was absolutely
22 inevitable.

23 Here is the bottom line: Since Whitney's
24 U.S. closure was definitely not attributable to the
25 imports from China, it is important that you not focus

1 on changes in the U.S. capacity, production,
2 shipments, employment, and so forth from the beginning
3 of your investigation period in 2001 to the present
4 because all of those trends largely capture Whitney's
5 2002 plant closure. Let me state again that HPI's
6 economists conceded this point at the preliminary
7 conference.

8 At the preliminary staff conference, there
9 were many questions about Internet auctions. In my
10 experience, Internet auctions have been a fad that
11 peaked around the time of the preliminary
12 investigation. Target, for instance, has been an
13 advocate of the Internet auctions for many products
14 and tried them intensively for ironing boards, but
15 Target has backed off its use of auctions in the past
16 nine months. I believe they discovered that auctions
17 alienated their suppliers and don't work very well in
18 identifying the best value for the money.

19 Value requires an understanding of product
20 and quality differences that cannot be discerned in a
21 general product specification set out for auctions.
22 Today, Internet auctions are simply not a significant
23 factor in the marketplace.

24 Everyone knows that for certain customers
25 HPI's pricing has declined. In one specific example,

1 we have detailed knowledge because we share the
2 business. In their prehearing brief, HPI tried to
3 defend and counter our claim that HPI themselves, not
4 the Chinese, have led price declines in certain
5 accounts where prices have declined. We have
6 submitted documents in our questionnaire responses and
7 in post-conference and prehearing briefs that directly
8 support our statements.

9 The largest purchaser of ironing boards in
10 the United States is Wal-Mart. To date, Wal-Mart has
11 not shown any interest in directly importing ironing
12 boards from China. They prefer a just-in-time
13 provider who can supply them good quality quickly.

14 To compete for Wal-Mart's business today,
15 you must have a U.S.-based distribution facility,
16 which most manufacturers simply do not have.

17 As I'm sure you understand, Whitney has
18 historically shared the T-leg business at Wal-Mart
19 fairly equally with HPI. Effective May 1st, we lost a
20 significant market share at Wal-Mart to HPI due to
21 price. We are not talking about minor cost
22 differences. Historically, we've always followed
23 HPI's price reductions downward to Wal-Mart over the
24 past years. Contrary to our historical practice,
25 because of the rising raw material costs in China, in

1 January, we began discussions with Wal-Mart of a price
2 increase. In the face of raw material price
3 increases, HPI came into Wal-Mart and cut the price
4 again to an unprecedented low.

5 We were challenged to meet the HPI price,
6 and we declined to do so. We have given you specific
7 evidence of this in our prehearing brief. The end
8 result was that Whitney lost market share in Wal-Mart
9 to HPI. We implemented a price increase at Wal-Mart
10 on May 1st despite HPI's price decline. Today, there
11 is a very large discrepancy in our pricing and theirs.
12 I'm not talking about nickels and dimes but dollar
13 differences between our invoiced price and theirs.

14 I rest my case as to who is driving price
15 erosion on ironing boards at Wal-Mart.

16 I thank you for this opportunity to share
17 this information with the Commission, and I'll
18 certainly be more than happy to answer any questions
19 you might have at the appropriate time.

20 CHAIRMAN OKUN: Thank you.

21 MR. PERRY: Now, I would like to ask Mark
22 Brown of Whitney Design to speak.

23 MR. BROWN: Good afternoon. My name is Mark
24 Jay Brown. I'm the senior vice president of finance
25 and CFO for Whitney. I've been with the company for

1 over 10 years.

2 In my testimony last year, we discussed
3 multiple occurrences of HPI's aggressive pricing
4 strategies on T-leg boards at our major customers. To
5 summarize, HPI aggressively attacked our T-leg pricing
6 beginning in 1998, and this negative pricing pressure
7 continued into the year 2000. In certain cases, we
8 matched pricing and retained the business. In certain
9 cases, however, we lost units and market share as we
10 simply could not match HPI's offer.

11 HPI's cumulative aggression resulted in
12 significant loss of unit volume and overall pricing by
13 our company. The consequence of their actions upon
14 our ironing board manufacturing facility was
15 devastating and forced the closure of our U.S.
16 manufacturing facility.

17 I reported last year that pricing since 2000
18 has remained relatively flat, remaining at
19 historically very low levels established by HPI.
20 Unfortunately, this trend has changed. Literally days
21 after our testimony last year, we discovered HPI had
22 lowered prices on T-leg boards at our largest account.
23 Earlier this year, we also discovered that HPI further
24 reduced prices at this account, even while raw
25 material prices have been going up. Due to the

1 confidential nature of this customer, specific pricing
2 information and customer correspondence regarding
3 these recent activities have been presented as part of
4 our prehearing brief.

5 Moreover, prices have been rising for
6 Whitney as raw material prices in China and ocean
7 freight costs have been rising. We have been forced
8 to pass these price increases on to our customers.
9 While we cannot predict the future, we fully expect
10 these trends to continue as raw material prices and
11 shipping costs increase. Thank you for your time.

12 MR. PERRY: Now, I would like to ask Cal
13 Scott of Polder to speak.

14 MR. SCOTT: Good afternoon. My name is
15 Calvin Scott. I am president and CEO of Polder,
16 Incorporated. I've been with the company for 17
17 years.

18 Polder is an importer, distributor, and
19 marketer of upper-end, nonelectrical, consumer
20 products sold under the registered Polder Home Tools
21 brand. Polder has been operating since 1976 and
22 currently employs 35 employees in our Port Chester,
23 New York, office and distribution center.

24 One product category we participate in is
25 the design, marketing, and distribution of the Polder

1 Home Tools brand of ironing boards and accessories.
2 Polder has been producing and importing ironing boards
3 from mainland China for more than 10 years. Polder
4 has been the leader in innovation by consistently
5 offering higher quality, feature-loaded product,
6 particularly in ironing boards, at prices well above
7 the popular price point product produced domestically
8 in the United States.

9 The market has always viewed Polder as an
10 innovator of better-made, better-designed ironing
11 boards while the domestic producers struggled to
12 improve their product at lower price points for larger
13 discount store chains.

14 Polder's primary channels of distribution
15 are big-box specialty chains like Bed, Bath & Beyond,
16 Linens 'N Things, the Container Store, mail order
17 houses, home centers, warehouse clubs, department
18 stores, and independent specialty stores. Polder also
19 supplies products to the hotel industry.

20 In the original petition, HPI argued that
21 all ironing boards are alike and are sold in one
22 market segment. Now, in this final investigation, HPI
23 argues that mesh-top, T-leg ironing boards command a
24 price premium over perf.-top ironing boards. Both
25 statements are simply not true.

1 The total ironing board business is broken
2 into different subcategories. The first, price point,
3 is the entry level, promotional or opening price
4 point, typically \$10 to \$15 retail price ranges.
5 These typically are T-leg ironing boards mostly sold
6 in promotion and sometimes as a loss leader by the
7 retailer. Although certain retailers may perceive a
8 difference between a mesh-top T-leg board and a perf-
9 top T-leg ironing board, right now Wal-Mart is selling
10 a perf-top and a mesh-top T-leg ironing board side by
11 side at the same price.

12 The second price point is standard ironing
13 boards, which are 54-inch ironing surfaces with four
14 legs typically sold in the \$20 to \$25 price range.
15 These boards tend to be larger than the T-leg product,
16 with four legs, but don't offer any features beyond
17 the T-leg product other than size and strength.

18 The third price point, what we call "mid-
19 price," is the \$30 to \$50 range at retail. These
20 products offer wider or larger sizes, heavier
21 construction, and usually have one more additional
22 features included in the construction, such as an iron
23 rest, cord holder, clothes racks, that the lower
24 priced categories don't offer.

25 The fourth price point is the upper end,

1 where ironing boards typically sell in the \$75 to \$120
2 retail price range. These products offer the widest
3 ironing surface, with plush pads and covers, multiple
4 built-in features, chromed legs and metal parts,
5 built-in extension cords for irons, basically all the
6 bells and whistles.

7 Each category has a different degree of
8 importance, depending on the retail or other types of
9 distribution channels. Buyers plan their business
10 around each category. T-leg opening price points tend
11 to be promoted at low prices during the back-to-school
12 season as a necessity for college-bound students,
13 while mid-price to upper-end products are targeted
14 year round to more affluent consumers who desire to
15 trade up to a feature-loaded product. Commercial
16 customers, such as hotels, tend to buy a lower priced
17 product as an accommodation to the guests staying at
18 their property.

19 Retailer types of channels also play a major
20 role in determining how each category is focused or
21 sold in the market. Mass merchants, such as Wal-Mart,
22 K-Mart, Target, sell more product at the lower priced
23 categories compared to mail order houses and retailers
24 like Bed, Bath & Beyond who cater to more affluent
25 consumers who perceive the higher quality, more

1 feature-loaded product to be a greater value, even
2 though they carry higher retail price points.

3 There has been a trend during the past
4 couple of years for some mass merchants to expand
5 their ironing board assortment into the mid-price
6 range. An example of this was the introduction of the
7 Martha Stewart range at K-Mart. Until recently, HPI
8 was importing most of its high-end ironing tables,
9 including the Martha Stewart brand, from China. Each
10 category sells to different users whose perceptions of
11 products differ based on quality, function, features,
12 and price.

13 Although Polder offers a T-leg ironing board
14 for sale with pad and cover produced in China, we
15 focus most of our effort selling product in the
16 standard-to-upper-end categories. We find that we
17 cannot compete at margins that sustain profitability
18 on the Chinese T-leg product when selling against
19 similar product made domestically by HPI. Most of the
20 mid-priced to upper-end products sold in the U.S.
21 market are produced in China and enjoy a relatively
22 level playing field where the retail effect is in
23 design, innovation, function, and brand rather than
24 just price when making a purchasing decision.

25 Although Internet reverse auctions have

1 declined in recent months, we have participated in
2 reverse auctions in the past for many different
3 products and have found that price is not always the
4 ultimate influence on decision. We have found that
5 business is not always awarded as a result of these
6 auctions and that the price is not the sole
7 consideration in the award of business. In addition
8 to price, the retailer purchasing products often also
9 looks at brand, the quality of the product, the
10 importer's ability to meet specifications, the
11 reliability of the importer, and the relationship it
12 has with each importer.

13 We have found the reverse auction process in
14 our situation has been used as a means for the
15 retailer to force an incumbent wholesaler to lower its
16 price. In the one reverse auction for several types
17 of ironing boards in which we participated, we were
18 unable to submit a competitive bid on the T-leg
19 business. Our Chinese products simply could not
20 compete with the lowest bidder for that low-end brand
21 or low-end board. I believe that HPI submitted the
22 lowest bid because it was awarded the T-leg business.

23 In the same auction for boards, we submitted
24 a bid to supply higher quality, four-legged ironing
25 boards that was not the lowest. We were awarded the

1 business; however, I think, for two reasons. We had
2 an existing relationship with the retailer, and we
3 were able to offer a better value as the supplier of
4 ironing boards and other products to the retailer.
5 Importers like Polder have always brought change to
6 the market by offering innovation, quality, and
7 features that go beyond what was being produced by
8 domestic manufacturers. The innovation and creativity
9 we bring to the market enhances competition and gives
10 the consumer choices they never had before.

11 Do not penalize the creativity, innovation,
12 and hard work we bring to the market by attaching
13 antidumping duties to our products. This would be
14 unfair to Polder, our employees, our customers, and
15 the consumer. Thank you.

16 MR. PERRY: Now, I would like Ron Ho of
17 Harvest to testify.

18 MR. HO: Good afternoon. My name is Ron Ho,
19 and I'm the president of Harvest International
20 Housewares, Limited. We are an exporter and producer
21 of ironing tables in China.

22 I just wish to emphasize the point regarding
23 the rising raw material and energy costs in China.
24 Within the past 12 months, steel costs have risen
25 about 70 percent, and we have had to pass these cost

1 increases to our customers. In addition to steel
2 costs, all other material costs have gone up,
3 including packing material, plastic components, and
4 anything to do with ironing tables in general.

5 In addition to raw material costs, energy
6 costs have also increased. In the last 12 months,
7 electricity costs have increased about 15 percent, and
8 there are severe shortages. My factor in China has
9 been forced to stop production for at least one day a
10 week because of the electricity shortages. This
11 situation will not change at any time in the
12 foreseeable future.

13 In addition to rising raw material and
14 energy costs, ocean freight costs have increased
15 substantially. This is particularly significant for
16 ironing boards because even though they are low-cost
17 items, they take substantial space in a shipping
18 container. On an opening-price-point, T-leg ironing
19 board, the freight cost could represent as much as 33
20 percent of our selling price.

21 We also do not target the U.S. market
22 exclusively. In fact, our factories sell more ironing
23 tables to Europe than to the United States. We also
24 understand that other Chinese producers are
25 experiencing the same increased demand for ironing

1 tables from Europe, Australia, and Canada. We also
2 believe that domestic sales of ironing tables in China
3 will increase due to the increased spending power of
4 Chinese customers.

5 We firmly believe that the exports of
6 ironing tables from China do not threaten the U.S.
7 ironing table industry. The U.S. industry can be very
8 competitive because it can produce so many ironing
9 tables with its automated production facilities. In
10 the past, China was more competitive with the United
11 States because of low labor costs. The rising raw
12 material and energy costs, however, make Chinese
13 producers less competitive today.

14 MR. PERRY: Now, I would like to ask Richard
15 Boltuck to speak.

16 MR. BOLTUCK: Thank you. For the record, my
17 name is Richard D. Boltuck, vice president at Charles
18 River Associates, Inc. I appreciate the opportunity
19 to testify today on this matter at the request of
20 counsel for Whitney Design, Polder, and Harvest
21 International. Although my analysis is
22 straightforward, it involves inevitably considerable
23 reference to the confidential information of two
24 companies especially, and, hence, the need for an in-
25 camera session after my public remarks. But first,

1 the background for my analysis, which I can present in
2 public session.

3 The smoking gun in this investigation that
4 demonstrates clearly the lack of causation of injury
5 by imports from China, either presently or in the
6 future, is the extensive pricing data before the
7 Commission covering, as it does, essentially every
8 sale in the United States, whether of a perforated or
9 a meshed product.

10 In its preliminary determination, the
11 Commission provisionally credited the existence of an
12 implementation lag that Professor Bradley examined in
13 his presentation at the staff conference. This lag
14 allegedly affects negotiated prices and delays the
15 manifestation of injury in lower U.S. industry prices.

16 Of course, the Commission is familiar with
17 lags and pricing attributable to long-term contracts
18 or agreements from numerous other investigations and
19 traditionally has often regarded the prevalence of
20 such pricing commitments by buyers as insulating U.S.
21 producers, to some extent, from the impact of imports.
22 But in this case, its reliance on an implementation
23 lag in its preliminary determination worked against
24 Respondents, and, indeed, it was a linchpin in the
25 Commission's finding of a reasonable indication of

1 threat, since, as Petitioners themselves acknowledged
2 during the preliminary phase, the direct evidence of a
3 pricing impact was, even to them, difficult to discern
4 at that time. I would say, from my perspective,
5 impossible to discern.

6 So the Commission, in essence, extended the
7 Petitioners the benefit of the doubt and took a wait-
8 and-see position, that is, wait until the final and
9 see whether imports tank HPI's pricing. Now it is
10 time to apply that task, and I will continue with that
11 analysis in the in-camera session. But first, a brief
12 comment on the pricing comparisons, which show
13 consistent overselling by subject imports.

14 When Petitioners tell you that mesh boards
15 should receive a pricing premium because they are
16 preferred by buyers, they are trying to have it both
17 ways because they also tell you these products are
18 essentially perfectly fungible in the marketplace,
19 that is, mesh and perforated.

20 Now, Ms. Brum, Target's buyer, testified at
21 the Commission's preliminary staff conference on
22 exactly why Target purchases mesh boards. She
23 testified that, and I quote, "[i]n essence, the
24 Chinese industry is supplying a different product to
25 the U.S. market, meshed-top, metal ironing tables,

1 which are an alternative and improvement over the
2 traditional, perforated-top table made almost entirely
3 by the domestic industry."

4 In any event, there is no practicable way to
5 quantify any such asserted premium, and, hence, the
6 pricing comparisons cannot demonstrate underselling or
7 support a finding of causation. Why should the
8 premium be based, as HPI advocates, on HPI's
9 production cost differences, in essence, ruling out
10 any legitimate, obvious, comparative cost advantage
11 the Chinese have in a more labor-intensive product?
12 This is the old concept of a scientific tariff, a
13 tariff that offsets cost advantages that imports might
14 have legitimately. But as I will show in the in-
15 camera session, pricing trends, by contrast, are
16 highly probative and are inconsistent with causation.
17 Thank you.

18 MR. PERRY: Now we are ready for any
19 questions you may have.

20 CHAIRMAN OKUN: Well, before we begin our
21 questioning this afternoon, let me take this
22 opportunity to thank all of the witnesses for being
23 here, for providing us your testimony, and for your
24 willingness to answer our questions. We very much
25 appreciate your assistance today.

1 I will begin the questioning this afternoon.
2 Maybe let me start with the industry witnesses, just
3 in terms of -- we had a number of questions for the
4 panel this morning regarding market structure and
5 what's going on in the industry, and I wondered if you
6 -- you mentioned in you testimony how you view the
7 Internet auctions. I wonder if you could talk anymore
8 about just market structure in general. Obviously,
9 your business practices have changed, but have you
10 seen a change with regard to the presence of the big
11 retailers, the Wal-Marts, the Targets, K-Mart, just
12 anything you observe about the market or conditions of
13 competition that you think we should be particularly
14 mindful of when we're conducting our analysis?

15 MR. GLENN: I don't see a major shift in any
16 of the methods that the retailers go through. I
17 think, Mr. Graves this morning, I would concur with
18 literally everything that he said. Primarily, it's an
19 annual review.

20 The Internet auctions is the only thing that
21 really changed, and, again, as I stated in my opening
22 comments, that's really changed. Target, and I'm not
23 just talking about the ironing board industry, but
24 Target has gotten a lot of heat for the reverse
25 auctions throughout, if you will, their reputation, if

1 you will, and it's caused them, I think, some issues.

2 You might hear a term called "CLR." CLR is
3 something that Target is using today, and it's called
4 a "competitive line review." It's not much different
5 than a normal line review that takes a period of 60 to
6 90 days to complete, but what Target does is they
7 bring all of the manufacturers into a large room, and
8 they focus on making this decision in a one-day
9 period. I don't find objections to that like Internet
10 auctions because at least you have a face to face.
11 You have to be very prepared, and you have to be ready
12 to go, but at least you can talk about products, you
13 can talk about differences, and you have a fair shot
14 versus looking at a computer screen and just going at
15 it.

16 But other than that, I don't think there has
17 been a lot of change in the methods and the way a
18 retailer selects product and purchases product today.
19 There's fewer of them, and the demands become much
20 stronger because the pieces of the pie are much
21 larger, and the risk of not getting the business used
22 to not be so high because if you didn't get this
23 account, you could get another one or another one, and
24 today, that account list has dwindled, and it makes
25 everyone more important. That's just market dynamics

1 of the retail industry.

2 CHAIRMAN OKUN: When you just referred to
3 demand being stronger, you were referring to demand
4 by --

5 MR. GLENN: -- by the retailer, yes.

6 CHAIRMAN OKUN: -- the retailers on
7 suppliers, not demand generally. I do want to ask
8 about that.

9 Mr. Scott, is there anything else you would
10 --

11 MR. SCOTT: I think James summed it all up
12 fairly well. He covered most of the points, and
13 really there has not been a lot of change in the way
14 they go about purchasing product, whether it be
15 ironing boards or anything else. They typically have
16 a line review. You come in once a year or twice a
17 year, depending on the customer, and you present your
18 program and hope for the best. I think James covered
19 it pretty well.

20 MR. PERRY: Could I add one thing?

21 CHAIRMAN OKUN: Yes, Mr. Perry.

22 MR. PERRY: We were talking about the
23 Internet auction yesterday, and a couple of things
24 came out. First, it was really difficult. One of the
25 reasons why Target was having problems, it was also at

1 the consumer level because the quality wasn't the
2 same. James mentioned to me that, for instance, they
3 got ironing boards, and they were rusty, and the rust
4 would literally fall out in the bag, and you wouldn't
5 know because when you bid on an Internet auction,
6 you're just looking at the price, and you're not
7 judging the value, the quality of the product.

8 The other problem with Internet auctions is
9 a company like Bed, Bath & Beyond, it doesn't have a
10 central distribution warehouse, so if a Chinese
11 company were to win the Internet auction for Bed, Bath
12 & Beyond, it probably couldn't fulfill the contract
13 because you have to ship your products to every single
14 separate store, and that's a very, very difficult
15 problem for the Chinese to deal with, and that's why
16 Wal-Mart, for instance, doesn't even do it, uses that
17 situation.

18 CHAIRMAN OKUN: I have many pricing
19 questions, but let me just start with a couple in line
20 with what I asked this morning, one, just in terms of
21 the role of direct importation in this market and how
22 we should take it into account. The panel this
23 morning, in responding to that, recognized that while
24 the Commission doesn't traditionally collect pricing
25 data in the way they recommended, that in this market

1 with these purchasers, that direct importation plays a
2 particularly important role that ought to be
3 considered by the Commission. And I guess I'll put
4 this to Mr. Boltuck and Mr. Perry; it's a little more
5 legal, although I am interested in how the industry
6 views it. But let me start with you. What would you
7 advise the Commission with regard to the direct-
8 importation data that we have collected?

9 MR. BOLTUCK: Well, as I'll discuss in the
10 in-camera session, I certainly thing that is very
11 important data, and I didn't want you to miss it.
12 It's relegated to sort of footnotes in the staff
13 report. I know why that happened. But given the
14 share of imports involved, it can't be neglected.

15 The second point I would make is, what is
16 the take-away from that data? In other words, what
17 does it really tell you, and what would be
18 overreaching in terms of interpreting it? What I
19 think it really tells you is what is going on in
20 trends because products that are purchased through
21 direct retail sales do compete at the consumer level
22 downstream. That's where all demand originates.
23 Everything else is derived demand further upstream at
24 other levels of trade.

25 And so when prices increase, for instance,

1 hypothetically, at the end user or at the retail sales
2 level, which is a direct importer's first U.S. sale,
3 to a customer, that makes that product less
4 competitive vis-a-vis other products in the
5 marketplace, including HPI's product. I don't think
6 HPI would disagree with that. In fact, I wish I could
7 tell you otherwise. I wish I could tell you it didn't
8 compete at all, but it does compete that way, and I
9 think the way to interpret it is to look at trends in
10 that pricing.

11 Now, in retail pricing, the trends that
12 you're going to see are a little bit different because
13 retailers have a variety of motivations for short-term
14 monthly pricing. They have discounts and loss
15 leadership and so on. But there are some things you
16 can see in that that I think are indicative and are
17 very important, given the share that has been imported
18 in that way.

19 CHAIRMAN OKUN: Okay. I see what we'll see
20 in the in camera, and we can talk about that, I guess,
21 in more detail then.

22 Did you have something you wanted to add,
23 Mr. Perry?

24 MR. PERRY: No. I think Richard covered it
25 perfectly.

1 CHAIRMAN OKUN: Okay. Then let me turn --
2 maybe I'll put the question this way. Mr. Bradley, in
3 his presentation of the facts of the case, made a few
4 points that I think really need a response for
5 Petitioners. As they have described the market, it's
6 a market where demand is relatively stable or flat, so
7 we don't have a case where demand is increasing, the
8 argument being that that's where the imports are
9 coming in, and that these -- prices haven't expanded
10 the market, and if you look at the market share
11 numbers, the Chinese have increased market share.

12 The question is, you've placed a lot of
13 emphasis on HPI being the price leader, and I'm
14 looking at the data and trying to understand how is
15 that consistent with the market that was just
16 described in terms of what looks like displacement of
17 Chinese imports, maybe well beyond what Whitney sees
18 in its part of the market, but really just that issue.
19 In the description of the market, which I would agree
20 with, why aren't these just the traditional factors
21 that the Commission would look at to determine injury?

22 MR. PERRY: One to remember, and I think
23 Richard can talk more about it and maybe even James
24 Glenn, obviously, part of that increase, a substantial
25 part of that, is the result of Whitney's closure.

1 Whitney was forced to go to China.

2 It's interesting, the point made by the
3 Petitioner, well, predatory pricing doesn't work here.
4 Well, they drove the second-largest company out of the
5 industry. Whitney was forced to turn to China. Then
6 they import product from China, and they bring a
7 dumping case against it. That accounts for a
8 significant portion of that increase, is because
9 Whitney had no choice. HPI had driven the prices down
10 so far that their old production facility couldn't
11 compete. That's part of it.

12 The other part is --

13 MR. BOLTUCK: Well, the other part, I
14 discuss briefly in my statement. Target has bought,
15 and I guess everyone knows this because it was
16 testified to at the preliminary staff conference, has
17 bought an imported product. But I think what I would
18 encourage is to really listen to what the buyer
19 testified to. She is not here, so we can only sort of
20 channel her voice through the transcript from the
21 preliminary staff conference, but she testified
22 extensively. No one knows why she bought that product
23 better than she does, and she explained it in detail,
24 and she said, I regard it as a different product, I
25 couldn't get it adequately from any U.S. producer, and

1 that's why I bought it because I wanted a mesh
2 product. She told what she thought the features of
3 mesh products were that were advantageous for her
4 customers, and that was her perception, her analysis.

5 CHAIRMAN OKUN: My red light has come on.
6 I'm sure I'll have some time to further explore those
7 issues if not covered by my colleagues.

8 Vice Chairman Hillman?

9 VICE CHAIRMAN HILLMAN: Thank you, and I
10 would join my colleagues in thanking you all for being
11 here. I appreciate very much your testimony.

12 I want to, I guess, follow a little bit
13 along the same lines in this issue of thinking about
14 the import volume. I've heard you say that an awful
15 lot of the volume was basically Whitney switching from
16 being a domestic producer to being an importer and
17 that that really did not have any effect on the market
18 because it's the same, and yet, obviously, if I look
19 at the numbers, there is a fair to significant amount
20 of non-Whitney imports, and that's what I'm trying to
21 make sure I'm understanding, what you can tell me
22 about it. I've heard, to some extent, Mr. Scott's
23 testimony that would suggest that at least a portion
24 of that you're describing as high end. I guess that's
25 what I need a little more help on in terms of the

1 relative ratios and whether and to what degree this
2 has changed over time.

3 Maybe we ought to just start with how it is
4 that you're defining imported product as high end.
5 You started out saying that Polder has basically
6 purchased this high end, and you described these
7 various categories in terms of your price points. I
8 just want to make sure I'm hearing you in terms of
9 whether all of that, including what you're putting at
10 the highest end of your range, has been entirely
11 imported from China, and anything that you can say,
12 either on the open record or perhaps in a post-
13 hearing, in terms of, again, the volume amounts from
14 China that would fall into those categories.

15 MR. PERRY: One thing I would add before
16 asking, there was a key interchange, I think, in the
17 preliminary staff conference between the staff and
18 HPI, and they were asking why HPI was importing, and
19 HPI had said, made it very clear at the staff
20 conference, that they had decided to import all of the
21 high-end boards from China. So that was their
22 decision. It's right on the transcript of the
23 preliminary. Cal?

24 MR. SCOTT: I guess, without getting into
25 volume numbers here, to give you an idea of what high

1 end is -- is that what you're --

2 VICE CHAIRMAN HILLMAN: You've described it.
3 Your testimony, if I've got it, you have opening price
4 points between \$10 and \$15, and you have the second
5 category with four legs as opposed to the T, the mid-
6 range from 30 to 50, the upper from 75 to 120.

7 MR. SCOTT: Right.

8 VICE CHAIRMAN HILLMAN: Are you importing
9 all of those ranges from China?

10 MR. SCOTT: The majority of them. We have
11 imported product from Italy as well as Germany. It's
12 been a few years since Germany, but the Italian
13 boards, occasionally we'll bring in for certain
14 customers, but 99.9 percent of the high-end boards
15 that we sell here domestically are Chinese product.

16 VICE CHAIRMAN HILLMAN: You mean this upper,
17 \$75-to-\$120 range, chrome, built-in extension cords,
18 the wider boards; those ones you are bringing in from
19 China.

20 MR. SCOTT: Yes, \$39.99 and up basically is
21 what I would consider it.

22 VICE CHAIRMAN HILLMAN: The \$39.99 up,
23 presumably is some amalgam of what you're describing
24 as mid-range plus what you're describing as upper
25 range.

1 MR. SCOTT: Correct.

2 VICE CHAIRMAN HILLMAN: Okay. And would you
3 say that those have always been coming in from China?
4 Again, I'm trying to understand whether there has been
5 a product-mix shift of what has been brought in from
6 China.

7 MR. SCOTT: We've been importing upper-end
8 ironing boards since 1980, plus or minus a couple of
9 years, beginning from Europe, Germany as well as
10 Italy. What we found over the years was a resistance
11 from European manufacturers to want to help us grow
12 our brand. They preferred that we would import
13 product under their brand, and we were in the middle
14 of building our company and building our brand, and we
15 elected to look for other manufacturers, which ended
16 up being in China, who were willing to work with us
17 and to help us develop our brand.

18 VICE CHAIRMAN HILLMAN: You mentioned that
19 you do do some amount of the OPP T-leg product. Is
20 that correct?

21 MR. SCOTT: A very small amount, yes.

22 VICE CHAIRMAN HILLMAN: And also coming from
23 China.

24 MR. SCOTT: Yes.

25 VICE CHAIRMAN HILLMAN: Okay. Again, always

1 coming from China?

2 MR. SCOTT: Always. The European suppliers
3 never got involved in any of the U.S. opening price
4 point type of product. They were always much higher
5 priced, much larger product, heavy duty, feature
6 loaded, all kinds of built-in functional features that
7 were never available here domestically.

8 VICE CHAIRMAN HILLMAN: There has been some
9 testimony that, over time, the Chinese started in the
10 high end and moved downward to cover all ranges, but
11 you're saying that, at least from your perspective,
12 you have always been importing. To the extent that
13 you're doing OPP, it's always been coming in from
14 China throughout this entire period.

15 MR. SCOTT: Correct.

16 VICE CHAIRMAN HILLMAN: Okay.

17 Perhaps, Mr. Perry, for the post-hearing
18 brief, because I think it would be useful to see the
19 numbers, you've obviously argued in your brief that,
20 to some degree, we should discount the volume, if you
21 will, by, as I read it, sort of taking out the Whitney
22 product as not taking away existing market share from
23 the domestic industry but just a shift from where it's
24 produced, taking out the high-end product as not
25 competing with domestics because there is no domestic

1 production at the high end, and then, again, as I read
2 your brief, you're asking us to also take out HPI
3 imports.

4 Again, I'm wanting you to go ahead and give
5 us those numbers. I'm not necessarily suggesting that
6 that's the way we ought to look at it, but then I
7 guess I need to hear a little bit more of, okay, if I
8 do all of that, there is still more product left in
9 the market, and what is it that we are to make of
10 that?

11 MR. BOLTUCK: Well, the vast majority of the
12 additional incremental product was the Target
13 purchase, I think you will find, and that's what we
14 were discussing a moment ago, that their testimony,
15 Target's purchaser's testimony, the buyer for this
16 product, was that she regarded this, the mesh product,
17 as a different product. That was the product she
18 definitely wanted to buy, and that's what her
19 testimony was at the preliminary staff conference. So
20 I think you have to factor that volume into the market
21 as well. That's what we've been trying to discuss.

22 VICE CHAIRMAN HILLMAN: Well, but that's a
23 different argument than saying it's not domestically
24 produced. The argument on the high end was that it
25 was not domestically produced. Obviously, HPI makes a

1 mesh product, so that is a different argument.

2 MR. BOLTUCK: Yes. I would prefer to
3 discuss that in the in-camera session, if I could,
4 because we have actual numbers from the questionnaire
5 responses, obviously.

6 MR. PERRY: I thought also -- maybe James
7 Glenn could mention because there really is a
8 different philosophy at Target which rolls up into
9 this mesh issue.

10 MR. GLENN: I think everybody's perception
11 of Target and the way they sell themselves is they
12 offer more in a different environment than Wal-Mart.
13 The two companies market themselves very differently.
14 I do remember Lisa's testimony, and obviously I've had
15 these discussions one-on-one with Lisa Brum, who was
16 the Target buyer at the time who made her testimony at
17 the preliminary hearing.

18 Their major interest was to differentiate
19 their product offering from Wal-Mart. They didn't
20 want to have the same product on the shelf. Now, you
21 can bring a hundred people in here and get a hundred
22 different opinions: Is a mesh-top board different
23 than a perf-top board? The commissioners themselves
24 are having a difficult time understanding the
25 differences in them, and I think most consumers would

1 if you brought them off the street.

2 But in Target's vision, mesh top presented a
3 different alternative to their consumer, and the
4 consumer couldn't directly relate the same exact
5 product at retail that Wal-Mart was offering at a
6 lower price.

7 So I think, Bill, that's where you were
8 going with my interpretation of why Target made that
9 decision.

10 MR. PERRY: I think one thing that's
11 critical, again, to this issue --

12 VICE CHAIRMAN HILLMAN: Mr. Perry, move your
13 microphone a little closer. I can't hear you very
14 well.

15 MR. PERRY: One thing that's critical about
16 her testimony is, remember that the customer for the
17 ironing boards really here isn't the ultimate
18 consumer; it's the buyer, and the buyer is the one who
19 makes the decisions on a lot of these calls as to
20 whether to use the import or the domestic product.
21 The buyers are critical. They see themselves as the
22 ones who make the decision on what goes in the store,
23 what's best for their consumers, and they are critical
24 in making the decision on price and which company they
25 are going to buy from and who they are going to buy

1 from.

2 VICE CHAIRMAN HILLMAN: I understand that.
3 Obviously, this is an argument, I understand, was made
4 there. It was not made in the final briefs here, and
5 it doesn't, again, go to this issue of whether that,
6 nonetheless, is not competition with the domestic
7 product. It's a different argument. If there is, in
8 fact, domestic mesh product available, it does not, to
9 me, say that there isn't some degree to which these
10 items are competing for each other, which leaves us
11 right back in terms of making our own determinations
12 about what the impact of those particular sales were
13 on the U.S. industry.

14 MR. BOLTUCK: There is a degree to which I
15 understand that, but I really think we can get into
16 that point and why this should be regarded as still a
17 very valid consideration a little more in the in-
18 camera session because we have all of these relative
19 production shares and everything from the
20 questionnaire responses.

21 VICE CHAIRMAN HILLMAN: Thank you.

22 CHAIRMAN OKUN: Commissioner Miller?

23 COMMISSIONER MILLER: Thank you, Madam
24 Chairman.

25 Sort of following up, and thank you to the

1 witnesses for being here, on your discussion just now
2 with Vice Chairman Hillman, I think I'll ask a
3 question that I posed to the witnesses this morning as
4 well, and that is, when a purchaser requests that you
5 bid or that companies bid, whether it be in an online
6 auction or just in a line review, are they making a
7 specific request that you provide mesh or perforated
8 top?

9 Mr. Glenn and Mr. Scott, both, just tell me
10 what the industry norm is.

11 MR. GLENN: For the most part -- Target
12 again -- Ms. Brum testimony stands on its own. But
13 for the most part, the retailers are looking for a T-
14 leg. They are not requesting -- they are looking for
15 price, is what they are looking for. They are looking
16 for quality. They are looking for price. They are
17 not so specific on wanting a mesh versus a perf.
18 Frankly, that comes up in very few discussions.
19 Importing today, we only offer a mesh. I can't quote
20 you one example of any customer that's brought us and
21 said, "Oh, you don't offer the perf.?" I can't even
22 quote you, since we changed our manufacturing to
23 importing versus manufacturing, I can't give you one
24 instance other than Target where that comment has even
25 come forward.

1 COMMISSIONER MILLER: And just to follow up,
2 when you were producing in the United States, you were
3 producing the perforated top.

4 MR. GLENN: The perforated top, yes.

5 COMMISSIONER MILLER: Okay. And when you
6 switched to the mesh, as an importer, you didn't hear
7 comments one way or the other.

8 MR. GLENN: Relatively seamless.

9 COMMISSIONER MILLER: Except for the one --
10 and I don't have the testimony from the Target witness
11 in front of me here; I'll read it before the final
12 decision.

13 MR. GLENN: Sure.

14 COMMISSIONER MILLER: I don't have it here
15 in front of me. In your experience at that account,
16 are they specifically making a request for one or the
17 other?

18 MR. GLENN: Again, I'm making judgments here
19 just from my own personal view of the situation, and I
20 certainly don't intend to try to read her mind. But
21 in the conversations with them, what they were looking
22 for was not perf against mesh. What they were looking
23 for was a differentiation to Wal-Mart's offering. If
24 it had been a wooden top, maybe it would have made a
25 difference. They wanted to offer something different

1 so that there is not a direct price comparison to the
2 low-cost retailer in America. So that's my analysis
3 of her desire.

4 COMMISSIONER MILLER: Mr. Scott, do you want
5 to add anything to that?

6 MR. PERRY: Could I add one thing because I
7 wanted James -- maybe he didn't get the reason why.
8 He told me in the past that Target sees itself -- it
9 sells its products a little bit higher than Wal-Mart,
10 so it's trying to justify that price increase.

11 COMMISSIONER MILLER: I understand that.
12 Mr. Scott?

13 MR. SCOTT: Our experience, or my
14 experience, in the auction process has been one where
15 when the products that were being auctioned off were
16 already existing products that the retailer was
17 selling, and they put them up for auction, so,
18 therefore, the spec for that product is written as
19 close or as exact to what is already on the shelf, and
20 then they invite people in to try to bid a price on
21 that.

22 In the case for us, the ironing boards were
23 mesh product to begin with, so they requested a mesh-
24 product ironing board. Now, if there happened to have
25 been a perforated board there that they were

1 auctioning off, I'm assuming they would have asked for
2 a perforated product as well.

3 I have not been involved in an auction where
4 they were sort of trying to develop a product and ask
5 for something special and then have people come in and
6 bid on the business.

7 COMMISSIONER MILLER: Correct me if I'm
8 wrong, but my impression of these auctions, not just
9 from this case, but we have looked at this in other
10 cases as well, they have prequalified suppliers. They
11 ask specific suppliers who they believe offer products
12 that meet their quality -- their certain standards.
13 It's not just sort of wide-open, anybody come forward.
14 Is that not correct?

15 MR. SCOTT: In my experience, that's
16 correct. You have to be invited into the process,
17 either as an incumbent or as somebody they have a
18 relationship with in another business.

19 COMMISSIONER MILLER: Mr. Glenn, that's your
20 experience as well?

21 MR. GLENN: Yes. There is a prequalifying
22 process because they are going to limit the number of
23 people, obviously, that they want on the computer
24 doing these kinds of things.

25 I'll give you one other example. One of the

1 bids we did was for the GSA, and they described their
2 product as either a perforated top or a mesh top. I
3 can remember that specification that they sent out was
4 either/or.

5 I think Cal is right. I mean, most of the
6 time, especially on the Internet auctions, and, again,
7 you've got to keep the Internet auctions in some sort
8 of context. There's only a very, very few customers
9 that are doing Internet auctions. There is a handful
10 versus the entire market. Wal-Mart doesn't do
11 Internet auctions in housewares, to the best of my
12 knowledge.

13 So keep in context, when we get into
14 Internet auctions, what the limited nature of those
15 are, and once you get away from Internet auctions, you
16 get away from very specific specifications. The
17 customer then opens his mind to say, "Okay. What is
18 your opening price for an ironing board? What does it
19 look like, and let us see whether we would be
20 interested or not?" That's totally different than
21 having a specification on an Internet auction where,
22 if you will, you're prequalified, and everybody is
23 focused on price, price, price, price. There is a
24 major difference.

25 COMMISSIONER MILLER: I appreciate that, and

1 I guess, for your benefit, I understand your comment
2 about a limited number of purchasers using them. We
3 keep seeing them here. We've had a number of cases --
4 we're kind of used to seeing these Internet auctions.

5 MR. GLENN: I think the reason why is simply
6 because of the cold nature of them. Again, Target, in
7 my opinion, Target has stepped away from them
8 dramatically because of the alienation that they have
9 experienced from their supplier base. This is not
10 just in the ironing board industry. I serve on the
11 board of directors for the International Housewares
12 Association, and you should hear the conversations
13 about Internet auctions in that venue. It's a very
14 inflamed topic of conversation.

15 COMMISSIONER MILLER: So you, I take it, at
16 least somewhat disagree with the assessment offered by
17 Petitioners' counsel this morning or by Petitioners
18 that the reason these have been put off is because of
19 the pendency of this investigation.

20 MR. GLENN: Yes. I don't think that's the
21 reason why they have been put off. We, again,
22 experienced reverse auctions on the cover and pad
23 category, for example. We participated in those a
24 year ago, and those have been discontinued. There is
25 certainly no Commerce Department or International

1 Trade Commission working on covers and pads, at least
2 yet. Target has discontinued their reverse auctions
3 in that category and gone to what I defined a few
4 minutes ago as the CLR.

5 So I think there is evidence that Target has
6 reduced their computerized reverse auction process
7 significantly. I can't quote you any numbers on that;
8 it's just what I know that's happening in the
9 industry. We're still going through a very rough,
10 competitive analysis in the one-day process, but it's
11 not price, price, price on a computer.

12 COMMISSIONER MILLER: In response to a
13 question from the chairman earlier in asking you about
14 the changes in the retail environment, both you and
15 Mr. Scott sort of said it's not that different, or
16 they are not operating that differently. I want to
17 make sure I understood you correctly on that. When
18 you say they are not operating differently in terms of
19 the individual retailers, is that what you meant, or
20 did you really mean that the retail environment, as a
21 general matter, hasn't changed in recent years?

22 MR. GLENN: Well, the only change in the
23 retail environment is less people to sell to. The
24 Caldors and the Bradleys and the Ames have all gone
25 out of business. So from that perspective, certainly

1 the retail climate has changed rather significantly.
2 I think it's been brought out in the testimony here
3 that there are three major purchasers of ironing
4 boards. Most of them are at the big three.
5 Obviously, there's others, but if you look at the
6 dominant volume, it's done in those three.

7 So that environment has certainly changed
8 from the retail climate of years past. However, the
9 methods, I don't think, have changed dramatically.
10 Selling Wal-Mart for the last 20 years is pretty much
11 the same as it always has been. They do a line
12 review. You go and present your product, and they
13 make a decision. That's rather oversimplified, but
14 that's primarily how it's always been done, and that's
15 the way it's being done today.

16 COMMISSIONER MILLER: My light is on. I
17 appreciate your answers. Thank you.

18 CHAIRMAN OKUN: Commissioner Koplan?

19 COMMISSIONER KOPLAN: Thank you, Madam
20 Chairman, and I thank the panel for its testimony.

21 Mr. Ho, if I could start with you, you noted
22 sales of ironing tables in China this afternoon. Tell
23 me, what percentage of your production is directed at
24 your home market, and what percentage is directed to
25 export? Could you move your microphone closer?

1 MR. HO: Actually, 90 percent of my
2 production is export.

3 COMMISSIONER KOPLAN: Is exported.

4 MR. HO: Yes, and then 10 percent is
5 domestic sale.

6 COMMISSIONER KOPLAN: And of the 90 percent,
7 how much comes here?

8 MR. HO: About 20 to 30 percent.

9 COMMISSIONER KOPLAN: Twenty to 30 percent.
10 Thank you.

11 Is it correct that your experience regarding
12 increases in steel costs and utility, freight costs is
13 consistent among other Chinese producers?

14 MR. HO: Yes. This is the whole situation
15 in China. Steel prices increased, and the other
16 material price increases happens all over China. It
17 also happened to all the factories, all the
18 manufacturers there.

19 COMMISSIONER KOPLAN: Thank you.
20 Petitioners this morning made mention of the
21 announcement of the preliminary dumping margins, and I
22 had a back and forth on that with them. I noted for
23 the record that those margins were formally announced
24 on February 3rd, and I'm coming back again to the
25 first quarter of this year that we're looking at in

1 our data. I'm wondering if you can tell me, did any
2 of you lose any business in the first quarter of this
3 year as the result of the announcement of those
4 margins? I need to have you use microphone, if you
5 would.

6 MR. SCOTT: No.

7 COMMISSIONER KOPLAN: Mr. Scott, your answer
8 is no.

9 MR. GLENN: There has always been hydraulics
10 in distribution. You gain and lose customers, but I
11 think your specific question is, have we lost
12 customers due to the duties that were imposed?

13 COMMISSIONER KOPLAN: Yes.

14 MR. GLENN: The answer is no.

15 COMMISSIONER KOPLAN: The answer is no.

16 Okay. Thank you.

17 Petitioners, citing to the preliminary
18 determination, pointed out that the buyers of ironing
19 tables are concentrated at the wholesale level and are
20 dominated by a few large mass merchandisers that sell
21 direct to consumers. Aren't mass merchants the
22 dominant purchasers of ironing tables at the wholesale
23 level?

24 I would like you to discuss the impact of
25 changes in the way these mass merchandisers have

1 purchased ironing tables during the period examined.
2 I'm particularly interested in whether any of these
3 retailers have commenced direct importing, and if so,
4 how has this impacted the marketing of ironing tables
5 in the U.S.? For example, am I correct that the
6 consolidation amongst mass market retailers has
7 substantially increased buying power? What has been
8 the impact of concentration among buyers in the
9 marketplace? If you could identify yourself for the
10 record each time just for the reporter.

11 MR. GLENN: James Glenn for Whitney Design.

12 I don't think there has been the dramatics
13 that maybe you're alluding to. Wal-Mart has always
14 been huge. They are larger now. Again, if a venture
15 goes out of business in St. Louis, Missouri, who picks
16 up that business? Well, it's spread over K-Mart, it's
17 spread over Wal-Mart, and it's spread over Target. So
18 I think Mr. Graves, this morning, said those customers
19 going out of business were not dramatic impacts.

20 I think I would concur with that.
21 Collectively, they are a large impact, but I don't
22 think specifically any one of them going out of
23 business was an impact to us in terms of buying power.
24 Target has always been a huge purchaser. Wal-Mart and
25 K-Mart; they have always been huge purchasers which

1 you approach, obviously, somewhat more carefully than
2 you would a smaller customer because of the impact
3 that it could have on your business.

4 I don't know if that answers your question.

5 COMMISSIONER KOPLAN: Yes, it does.

6 Did anybody else want to get in on that?

7 MR. PERRY: No. I think Cal sells to the
8 upper end, not to the big retailers.

9 COMMISSIONER KOPLAN: Okay.

10 MR. BOLTUCK: I think the only thing I would
11 add, Commissioner, is that there is more concentration
12 among the large, big box stores, with several
13 bankruptcies in the late nineties and early 2000's,
14 bankruptcies, buyouts, whatever, and naturally you
15 would expect a little more downward pressure from a
16 more concentrated set of purchasers over time.

17 COMMISSIONER KOPLAN: Thank you, Mr.
18 Boltuck.

19 Could you discuss the retailer auction
20 system, especially as it may be impacted by changes in
21 mass retailers? How often do retailers decide whether
22 to switch between producers, domestic or foreign, for
23 example, once a year or once a quarter, and under what
24 conditions would a retailer decide to switch from one
25 produce to another, either due to an auction or

1 between auctions? Mr. Glenn?

2 MR. GLENN: I think the answer is consistent
3 with, again, what Mr. Graves said this morning. They
4 really don't do much switching. They have a line
5 review once a year, and once that decision is made,
6 they pretty well stick with that. Remember, these are
7 very, very busy people. As much as we would like to
8 think otherwise, ironing boards are not the most
9 important thing that they have on their plate. But
10 really, very few changes are made.

11 Now, I just quoted you an example in my
12 statement that we did have a change on May 1st, which
13 is mid-year line review, but that was driven by
14 pricing, and it was significant pricing, and they made
15 some distribution changes. We didn't lose the
16 business, but we lost a share of that business due to
17 price. We would not meet the competitive price.

18 So those things do happen, but they are rare
19 rather than common.

20 COMMISSIONER KOPLAN: Thank you.

21 MR. PERRY: Commissioner Koplan?

22 COMMISSIONER KOPLAN: Yes, Mr. Perry.

23 MR. PERRY: Just because I know you're
24 really interested in Internet auctions, as Cal Scott
25 mentioned, too, the other thing that is interesting is

1 when the Internet auction happened for him, and it was
2 the higher end of the ironing table, even though he
3 wasn't the lowest priced, after he lost the bid at the
4 auction, they came back to him because he was the
5 incumbent and basically used the auction to force down
6 his price. So often the low price at the auction
7 doesn't necessarily get the -- so there will be
8 negotiations afterwards as to what goes on.

9 COMMISSIONER KOPLAN: Thank you. Maybe I
10 could stay with you for a moment.

11 You argue, beginning at page 11 of your
12 prehearing brief, and I heard this in Mr. Scott's
13 direct presentation as well, that the ironing table
14 market is segmented into distinct, price-point
15 products "that are generally grouped into low-end and
16 high-end tables." If the Commission were to accept
17 this characterization of the ironing table market as
18 segmented in the manner in which you described, what
19 are the implications for our analysis, that is, should
20 the Commission analyze a segmented market differently
21 than a nonsegmented market, and if so, how?

22 MR. PERRY: Well, as Richard mentioned, and
23 I think it does tie in, it's the whole point about the
24 high end. At the preliminary conference, HPI said, we
25 import all of our high end from China. They had made

1 that decision, and it was all coming in, frankly, from
2 the largest exporter in China.

3 So you have the fact that when we look at a
4 segmented market like that, all of the competition is
5 at the low end, but when you look especially at import
6 volume, volume is coming in from HPI and also from the
7 Chinese at the high end, and there is no injury there.
8 That's what our point is.

9 Richard, you might want to add something.

10 COMMISSIONER KOPLAN: Mr. Boltuck?

11 MR. BOLTUCK: Yes. Well, the high-end
12 product is not manufactured in the United States and
13 never has been. Whitney also imported high-end boards
14 to fill out its product line while it was a U.S.
15 producer. Polder sells into that as sort of a niche
16 segment. It's appealing and marketed to a different
17 set of buyers through generally different stores, but,
18 of course, any supplier who wants to have a full
19 product line needs that product, and they are not
20 going to get it in the United States. When HPI and
21 Whitney faced off as U.S. producers, HPI imported it
22 for that purpose, in order to fill out a product line.

23 COMMISSIONER KOPLAN: Thank you. I see my
24 light is about to come on. I have a couple of
25 questions left, but I'll wait until the next round.

1 Thank you, Madam Chairman.

2 CHAIRMAN OKUN: Commissioner Lane?

3 COMMISSIONER LANE: Thank you. First of
4 all, I want to thank you all for the pictures of the
5 four-legged table. I can't say that it really makes
6 me all excited to go out and want to get one and start
7 ironing more, but I really appreciate knowing what
8 they look like.

9 Mr. Boltuck, the first question I have is
10 for you. You stated in your oral presentation that
11 implementation lag was a linchpin in the Commission's
12 finding of a reasonable indication of threat. I note
13 that the Commission did use the term "implementation
14 lag" in the views of the Commission. However, I found
15 the term used only once in the first seven pages of
16 discussion of threat. Indeed, we did say, "Evidence
17 in the record pertaining to the lost sales and
18 revenues in Internet reverse auctions also support our
19 findings as does the implementation lag regarding
20 negotiated prices."

21 Could you please provide me with the
22 Commission discussion that you are relying on to
23 conclude that implementation lag was the linchpin of
24 the Commission's preliminary determination?

25 MR. BOLTUCK: Well, Commissioner, far be it

1 from me to second-guess you or any other commissioner
2 who wishes to characterize it differently. This was
3 my interpretation and an inference I drew from several
4 facts. The facts I was thinking of is that the
5 Commission deliberately refrained from reaching a
6 reasonable indication of present injury determination,
7 and then I looked at the data. I thought, well, I can
8 understand that, why that would be a wise decision,
9 given that it's very difficult to see those
10 indications in the data. And I also recalled that in
11 HPI's presentation at the preliminary staff
12 conference, HPI put a huge emphasis on the
13 implementation lag, the purpose of which was to
14 suggest that the lack of evident present material
15 injury would show up in the future because of the
16 implementation lag. Then I see that the Commission
17 cites implementation lag and never has done so in any
18 past case and reaches a reasonable indication of
19 threat determination.

20 So when I put all of that together in my
21 mind and tried to reach a reasonable interpretation, I
22 thought that played an important role. HPI thought it
23 played an important role, which is why they emphasized
24 it at the preliminary staff conference, and I agree
25 with them that crediting that fills a logical gap that

1 they faced in getting past the hurdle or the threshold
2 standard for the preliminary determination.

3 COMMISSIONER LANE: Okay. Thank you.

4 MR. PERRY: Could I add one thing? I think
5 the other thing is that I also understand where
6 Richard's dynamics were because I think the Petitioner
7 was surprised. It came in at the preliminary
8 conference, assuming that they could prove injury
9 because of Whitney's withdrawal from the U.S. market.
10 And when the testimony at the preliminary conference
11 was, no, the Chinese didn't drive us off; you, the
12 Petitioner, drove us off, that took out a large part
13 of their argument, and that's why we have a concession
14 by the economists for HPI and their closing at the
15 preliminary conference. That's kind of probably why
16 we looked more at the implementation-lag situation.

17 COMMISSIONER LANE: Okay. Thank you.

18 In your prehearing brief, at page 5, you
19 argue that we should expand the like product to
20 include not only over-the-door but also four-legged
21 ironing tables. Can you tell me, even approximately,
22 what is the number of four-legged ironing tables
23 produced in the United States and consumed in the
24 United States?

25 MR. PERRY: I can't tell you off the top of

1 my head. Richard, would you know? We can reply to
2 that in our post-hearing brief.

3 COMMISSIONER LANE: Okay. Thank you.

4 This morning, I asked the Petitioner if the
5 basic construction of a mesh-top table being a two-
6 piece top in any way could result in that product
7 having stronger or more stable characteristics than
8 the perforated-top table. The answer was that there
9 is no inherent quality difference due solely to the
10 two-piece-top construction process. Do you agree with
11 that?

12 MR. GLENN: Yes. I would agree with it.
13 You could dive into all of the intricate details, but,
14 in general, I would agree that the two products
15 perform very similarly.

16 COMMISSIONER LANE: Okay. Perhaps one of
17 you could explain to me how over-the-door ironing
18 tables -- no, they are ironing boards -- how over-the-
19 door ironing boards compete closely with ironing
20 tables. I would like to ask you to describe the
21 manner in which their floor-standing ironing tables
22 compete with over-the-door ironing boards in the
23 marketplace.

24 MR. PERRY: We made this as an argument. We
25 saw that over-the-door -- we thought this basically

1 was a fact that over-the-door ironing tables compete.
2 We didn't try to make this a major argument. We don't
3 think it affects the data that much, but we just
4 thought it's produced in the same production
5 facilities, the same production lines. It is an
6 ironing table. It competes against it. In that
7 sense, it's over the door, and we thought it should be
8 included, but that really is up to you.

9 COMMISSIONER LANE: Okay. Now I have a
10 couple of other questions.

11 I understand the argument that -- I think
12 it's Mr. Glenn was making about what Target wants, and
13 Target was specifically seeking the mesh top because
14 that would distinguish it from the product that Wal-
15 Mart sells. Now, does Wal-Mart also sell mesh-top
16 tables?

17 MR. GLENN: Today?

18 COMMISSIONER LANE: Yes.

19 MR. GLENN: Yes. Go back in time, when
20 Target was making this decision, Wal-Mart did not sell
21 a mesh-top, T-leg opening price point. Today, they
22 do.

23 COMMISSIONER LANE: Okay. So you're talking
24 about when Target first started doing this.

25 MR. GLENN: I believe the questions in the

1 discussion was around the decision that Target made to
2 direct import those ironing boards.

3 COMMISSIONER LANE: Okay.

4 MR. PERRY: I also think the other thing is
5 that, at least from what I've been told, is that when
6 companies sell, the two companies that are selling to
7 Wal-Mart, and this is what I've been told by my
8 clients, HPI sells the perforated top. Whitney sells
9 the other product, and that's the type of product that
10 Target wanted. I think Target wanted to differentiate
11 itself because Wal-Mart was offering two to the
12 consumer, and they wanted to say, hey, the mesh top is
13 better, and we sell only mesh. I think that's where
14 they were trying to come from.

15 MR. GLENN: But, Bill, at the time, the
16 testimony that we are all referring to of Ms. Brum, at
17 the time that Target was doing that, the T-leg ironing
18 boards at Wal-Mart were all perf. tops.

19 COMMISSIONER LANE: Okay. And it's been so
20 long since I bought an ironing board, that I have
21 forgotten what they look like when you go buy them.
22 Is the pad on the ironing board, or is it separately?

23 MR. GLENN: Today, 90 percent, probably even
24 95 percent, of the ironing boards, on second thought,
25 it's probably even 98 percent, of the ironing boards

1 are sold with the cover and pad installed on the
2 ironing boards. Mr. Deppen and I did that a few years
3 ago.

4 The differentiation between the mesh top and
5 the perf. top is only done in a photograph. The
6 photograph on the label of the product does show, in
7 most cases, the top surface.

8 COMMISSIONER LANE: Okay. My last question,
9 then, is, has the industry done surveys of consumers
10 as to what kind of ironing board, ironing table,
11 people prefer or whether they know the difference?

12 MR. GLENN: I debated whether to bring this
13 up, but I'll go ahead and do it. I'm going to go
14 back, and I believe that Mr. Deppen would concur with
15 this. When I was vice president of sales and
16 marketing at Seymour, we did a marketing strategy to
17 convince the buying public, not necessary the
18 consumers but the buyers, the retail buyers, that a
19 mesh top was better, and the reason why we did it was
20 because, at the time, we were buying the mesh tops,
21 not making them ourselves, and we couldn't produce
22 mesh tops as fast as we could produce perf. tops on
23 the automated equipment in the factory.

24 And to our compliment, we did a wonderful
25 job because we convinced the entire public that mesh

1 tops were better and that they should use the mesh
2 tops on the higher-end boards and use the perf. tops
3 at the low end. Frankly, it was a self-fulfilling
4 prophecy because that's what we wanted. Our factory
5 was built on the fact that we could produce perf. tops
6 very quickly and very efficiently. Mesh tops were a
7 slower process.

8 Today, it's a little bit different, I
9 assume, in their factory because they have equipment,
10 as they testified this morning, that they have
11 changed. But back then, that's where it really all
12 started was perceived value. It wasn't real value; it
13 was perceived value.

14 I think they testified this morning that
15 they said that if you took a scientific analysis of
16 the steam process, there is a little difference. Will
17 the steam in the ironing process, will it expel itself
18 faster on a mesh-top board? Yes, but it's marginal.

19 COMMISSIONER LANE: Okay. My red light has
20 been on for a while, so thank you.

21 CHAIRMAN OKUN: Commissioner Pearson?

22 COMMISSIONER PEARSON: Thank you, Madam
23 Chairman.

24 Mr. Glenn, you described earlier the
25 competition for sales to Wal-Mart that ended up with

1 HPI providing ironing tables at a lower price than
2 Whitney is providing them. Were just the two firms
3 competing for that business, or was there some other
4 firm also offering product?

5 MR. GLENN: Historically, to the best of my
6 knowledge, Wal-Mart has not entertained parties other
7 than ourselves to seriously look at their ironing
8 board business. I have visited with the Wal-Mart
9 operation in Chenzen, China, and had discussions with
10 them, and I know they have looked at it. I know that
11 the Chenzen office in China has presented Wal-Mart
12 with opportunities to direct import ironing boards,
13 but the domestic staff at Wal-Mart has chosen not to
14 do so.

15 COMMISSIONER PEARSON: But you are not aware
16 of some third party competing for Wal-Mart's business
17 that may have encouraged HPI to reduce its offering
18 price in this example that you cited earlier.

19 MR. GLENN: Well, I would assume that if
20 that were the case, that they would not have granted
21 us a price increase and left the business with us. If
22 they had three people bidding for it, and the two
23 lowest bidders, I would assume, would have taken the
24 business. That's not the fact of what happened. They
25 kept us and accepted a price increase that we gave

1 them post being challenged to cut our price. Again,
2 that's only assumptions on my part, but I think they
3 are pretty valid.

4 COMMISSIONER PEARSON: Okay. Well, if there
5 is other information, I would guess that Petitioners
6 may provide it in the in-camera session, but thank you
7 for that clarification.

8 The Petitioner maintains that U.S. demand
9 for ironing tables has been stable or slightly
10 increasing during the period of investigation. Would
11 you agree with that characterization of the market?

12 MR. GLENN: For the most part, I think it
13 has been pretty stable. I think the only caveat that
14 I would put there is there has been a dramatic race to
15 the bottom by all of the retailers. Target and Wal-
16 Mart and K-Mart have all been in a boxing match about
17 who can sell two-leg ironing boards at the lowest
18 price. It's been absolutely crazy.

19 I've shown Target and Wal-Mart their own POS
20 data, their point-of-sale data, which we have access
21 to their computers, that you cannot sell an ironing
22 board to somebody who doesn't need one. They can run
23 it for \$6.99 and not sell anymore ironing boards than
24 they will at \$9.99. There is just no history nor
25 indication that lower prices on an ironing board sells

1 more product. An off-shelf display does. A consumer
2 walks through the store, and they see an ironing
3 board, and they think about the condition of their
4 ironing board at home, and they will buy more. But
5 price does not drive units.

6 I think Mr. Graves said this morning, people
7 don't stock up on two or three ironing boards because
8 they are at a cheap price. They are hard to get home.
9 They are hard to put in your car. Most of the people
10 who buy them are women, and they just don't enjoy
11 schlepping those ironing boards to their car.

12 So I think those points, we all agree to.
13 The only difference that I would make in terms of
14 total units is that what's happened since the three
15 big box retailers have driven prices is we've
16 saturated the market. Again, if you come back to all
17 of the testimony, I think everybody agrees, the
18 average consumer replaces their ironing board every 15
19 years. Well, all of a sudden, if you're selling at
20 some ridiculous retail prices, everybody that needs
21 one buys one, and all of a sudden you have somewhat of
22 a slower market trailing that, but I don't think those
23 numbers are dramatic. I think the market is
24 relatively flat.

25 COMMISSIONER PEARSON: Okay. So the market

1 generally does seem to be stable in terms of quantity,
2 the number of units sold.

3 MR. GLENN: With that caveat. Wal-Mart's
4 overall ironing board business is down.

5 COMMISSIONER PEARSON: With the aggressive
6 price that you've described, the value of total sales
7 may actually have declined.

8 MR. GLENN: Yes, and I've had specific
9 discussions with Wal-Mart where we've discussed their
10 entire ironing board business because we know what
11 ours is, and we have confirmed with them that
12 basically both suppliers are seeing some diminished
13 sales, and we both concurred that the reason for it is
14 because of all of the low prices that have been put
15 forward and that the market is saturated.

16 COMMISSIONER PEARSON: The Petitioner also
17 has stated that the production of ironing tables is
18 capital intensive and subject to significant economies
19 of scale. Do you agree with that characterization?

20 MR. GLENN: Yes, sir, I do, because that's,
21 frankly, the reason why we closed our facility.

22 COMMISSIONER PEARSON: And China is well
23 known as having an abundance of labor, but the United
24 States often is seen as having an advantage when it
25 comes to capitalized production. So, in that case,

1 what's driving the business to China? Why hasn't
2 production expanded in the United States, taking
3 advantage of some possibility for new investment here,
4 for instance?

5 MR. BOLTUCK: One point I think James can
6 elaborate on, but my understanding is that the
7 manufacture of the mesh-top product is more labor
8 intensive than the manufacture of the perforated
9 product, which is much more highly automated, so you
10 do get the kind of division of specialization in
11 differentiated products that you would expect between
12 the two countries.

13 And I think the other thing is that China,
14 of course, is a labor-intensive country, but it's
15 somewhat less so than it's been in the past. It's a
16 rapidly industrializing country, much more prosperous
17 on a per capita income basis, so it's a moving target
18 when one discusses what the capital intensity of China
19 is.

20 COMMISSIONER PEARSON: Any elaboration on
21 that, or do you concur with that?

22 MR. GLENN: No. I think it's pretty
23 accurate the way he described it.

24 COMMISSIONER PEARSON: So then perhaps by
25 changing buyers' expectations of what makes for a good

1 ironing board, there was the inadvertent effect of
2 shifting the production advantage to China because
3 there has been a shift from a more highly automated
4 production to a production with some greater element
5 of hand assembly.

6 MR. GLENN: Well, I understand your points,
7 but I will also tell you that HPI is the one that
8 changed Target to a mesh-top ironing board. We sold
9 Target perf.-top ironing boards, and HPI made
10 presentations to them that suggested that they move to
11 a mesh-top ironing board, and we could not produce in
12 our factory mesh-top ironing boards, so, therefore, we
13 lost that volume to them. So I guess sometimes the
14 hand that bites you is the one that feeds you.

15 MR. BOLTUCK: I just want to add one thing.
16 With all respect to our own witnesses who have a lot
17 of confidence in their own marketing ability, there
18 also is the role of very well-informed and
19 professional buyers at the various companies who think
20 seriously on their own about this and reach a decision
21 about positioning themselves in the market and serving
22 their own customers, keeping their customers happy,
23 and so on.

24 COMMISSIONER PEARSON: To me, this isn't a
25 terribly important point. I found it kind of

1 interesting, and I just raised it because it's
2 sometimes ironic, the results that an integrated
3 global economy produces when one thing happens in
4 response to something else, and this may be one of
5 those instances.

6 A question for Mr. Ho: What is your view of
7 the potential for increased demand for ironing tables
8 within China itself?

9 MR. HO: Well, China always has big demand
10 on ironing tables but not on the type of ironing
11 tables that we are now manufacturing. China demands a
12 lot of ironing tables with wooden tops, but now
13 because of the introduction of mesh-top ironing boards
14 from Europe and United States manufacturers, the
15 Chinese customer gradually feels that the mesh top is
16 better than the wooden top.

17 So I would see, in the near future, the
18 demand for the mesh-top ironing board in China will
19 keep growing.

20 COMMISSIONER PEARSON: Okay. And certainly
21 there is growth in income in China. There is an
22 expansion in housing, so one would expect some
23 increase in consumption --

24 MR. HO: Yes.

25 COMMISSIONER PEARSON: -- of ironing tables

1 in China.

2 A final question for you, Mr. Ho: The
3 Commerce Department has assigned a 69.59 percent
4 antidumping duty to Harvest International Housewares.
5 If that duty goes into effect, what would be the
6 effect on your company? Would you be able still to
7 compete for some sales to the United States, or would
8 you be more or less shut out of the United States
9 market?

10 MR. HO: I don't think so. I don't think we
11 can compete with that duty.

12 COMMISSIONER PEARSON: Okay. Thank you very
13 much. My time has expired.

14 CHAIRMAN OKUN: Thank you again to the
15 witnesses. I think I just have a couple of things
16 left for the open session.

17 One, just in terms of -- this would be for
18 you, Mr. Perry -- you have not argued that we should
19 exclude Whitney as a related party, and the
20 Petitioners have not either, but you have made some
21 comments regarding how we should evaluate capacity and
22 other data in the market when Whitney was producing
23 versus just HPI's data, and I think, for post-hearing,
24 I would like some further discussion of how we do that
25 consistent with treating the domestic industry as a

1 whole in terms of evaluating those particular data.

2 And then the other thing, which we may cover
3 in the confidential session: There were a number of
4 questions that we posed to the panel this morning
5 regarding comments we wanted on the pricing data, and
6 you can look at the transcript, but I know a number of
7 them that were raised, either by myself or by my
8 colleagues, would be the Petitioner's request that we
9 evaluate this premium, and I've heard some of your
10 discussion here, but I also want that for post-
11 hearing, the role of direct imports and that data,
12 and, Mr. Boltuck, you commented on that, but, again,
13 just in terms of for the pricing comparisons, what
14 issues there would be.

15 The Petitioners were asked to comment on
16 what you had recommended in combining the products
17 together, and they did that both in open session, and
18 we'll do it afterwards.

19 The other portion of that which, I think,
20 relates a little bit to the pricing data and also the
21 lost sales/lost revenue as they relate to the auctions
22 is whether and how the Commission should evaluate
23 where there was a weighted average price where there
24 was more than one product and what that says or
25 doesn't say about price competition in these

1 particular products.

2 So those are all things that I will be
3 looking for in the post-hearing, and with that, let me
4 turn to Vice Chairman Hillman.

5 VICE CHAIRMAN HILLMAN: Thank you.

6 Mr. Ho, if I could ask you just a couple of
7 questions to make sure I understand your sense of it,
8 you mentioned, in response to Commissioner Koplan's
9 questions, that you are selling product in the Chinese
10 market, in the U.S. market, and in other export
11 markets. Are the products that you're selling in all
12 three of those markets the same?

13 MR. HO: Yes.

14 VICE CHAIRMAN HILLMAN: And how would you
15 describe the relative prices as between the Chinese
16 market, the U.S. market, and other export markets?

17 MR. HO: Well, I would say that for European
18 markets they can pay a little bit higher because their
19 quantity is smaller. Domestic market, they pay less
20 because of the purchasing power of the local Chinese
21 people.

22 VICE CHAIRMAN HILLMAN: Okay. So exact same
23 ironing board, cheapest prices are in China. Next is
24 U.S. and then Europe.

25 MR. HO: Yes, yes.

1 VICE CHAIRMAN HILLMAN: Now, you mentioned
2 other Asian markets, Australia.

3 MR. HO: Yes. We also ship to southeast
4 Asian market and Hong Kong market.

5 VICE CHAIRMAN HILLMAN: And how do they rate
6 in terms of prices?

7 MR. HO: Well, southeast Asia and also Hong
8 Kong market has a little higher price. It has the
9 best price because of smaller quantity.

10 VICE CHAIRMAN HILLMAN: Okay. I appreciate
11 that.

12 Obviously, we are struggling, Mr. Perry, as
13 you know, in terms of trying to figure out how to look
14 at the total capacity of the Chinese market, in part
15 because of the lack of questionnaire responses.

16 Mr. Glenn, I know you stated that you
17 purchase almost entirely through Sense, is it? It's
18 my understanding that we have not received any
19 questionnaire response in the final from them.

20 MR. PERRY: Yes. I think you probably
21 won't. We just heard the final margins from Commerce,
22 and if I'm correct, they are still the big winner with
23 6 percent, so they are hoping you go affirmative, and
24 then they will take over. So they have no interest.

25 But you do have a questionnaire from them

1 that they submitted at the preliminary stage which has
2 a lot of their data, and so you do have a
3 questionnaire, at least, from them, but it is from the
4 preliminary stage.

5 I just might mention because Mr. Pearson --
6 Harvest is unfortunate because they got their own
7 margin, but they didn't get their own margin. There
8 were two companies that Commerce looked at as
9 mandataries. One was Sense; the other one was Wire
10 King, which got a very high margin, and all of the
11 other companies just got the average, and that's what
12 he got, is the average. He doesn't have his own
13 individual market.

14 VICE CHAIRMAN HILLMAN: Obviously, you've
15 argued that a surge in imports is unlikely in the
16 future, and yet I'm trying to square that with what
17 data we have and figure out what we do about the data
18 that we're missing. So if there is anything that you
19 want to add in terms of how we should look at this,
20 given that we do not have a complete data set on the
21 Chinese side, I would ask you to do that in terms of a
22 post-hearing.

23 MR. BOLTUCK: You don't have a complete data
24 set on Chinese producers principally because of Sense,
25 but you do know something about their operations. On

1 the other hand, you come very close to having a full
2 data set on imports from China through the importers
3 that we heard today. There are defects in that which
4 are not, in any respect, more severe than you often
5 encounter in questionnaire responses from importers,
6 purchasers, or U.S. producers, in fact, probably less
7 so.

8 VICE CHAIRMAN HILLMAN: Mr. Ho, on the issue
9 of your product, you're saying is the same, whether
10 it's sold in China or elsewhere; it's the same ironing
11 boards. Do you have a sense whether that's true for
12 other Chinese producers? Are there producers that are
13 producing a product specifically for the U.S. market
14 or specifically for the Chinese market?

15 MR. HO: I would say that most of the
16 factories that are now making ironing boards, they
17 mostly catered for European markets because the type
18 of ironing boards that are manufactured in China
19 belong to the higher end. So the original styles also
20 is from Europe, so most of the manufacturers there are
21 making boards for the European markets. There are
22 some Chinese manufacturers that mostly cater to the
23 local sale, domestic sale, but quality may be lower
24 end.

25 VICE CHAIRMAN HILLMAN: And what would you

1 say has been the impact of just the preliminary phase
2 of this investigation in terms of shipments to the
3 U.S. market? Have you cut back, or have others that
4 you know of changed their behavior in the U.S. market
5 as a result of just the pendency of this
6 investigation?

7 MR. HO: I think most of the manufacturers
8 in China in ironing boards, they have cut back their
9 shipments to the United States.

10 VICE CHAIRMAN HILLMAN: They have cut back.

11 MR. HO: Yes.

12 VICE CHAIRMAN HILLMAN: Again, I'm trying to
13 make sure we have a way to look at what has happened
14 to the market in first quarter 2004 and how we figure
15 out the effect of the pendency of the investigation.

16 MR. PERRY: Remember again that Sense is the
17 largest exporter by far. It supplies a lot of the
18 companies here, and they haven't been affected really
19 at all.

20 VICE CHAIRMAN HILLMAN: Okay. I appreciate
21 those answers. Thank you very much.

22 CHAIRMAN OKUN: Commissioner Miller?

23 COMMISSIONER MILLER: I have no further
24 questions for this session. I was interested in the
25 related-party question that the chairman already posed

1 to you, and I'll be interested in your post-hearing
2 submission on that; otherwise, I'll hold further
3 questions for the in-camera session. Thank you for
4 all your testimony, the industry witnesses, thank you.

5 CHAIRMAN OKUN: Commissioner Koplan?

6 COMMISSIONER KOPLAN: Thank you, Madam
7 Chairman. I just have a couple.

8 You have a session on every day pricing in
9 your brief. On pages 29 and 30 of your prehearing
10 brief, you give an example, bracketed in part, of
11 HPI's driving the importer's price down in a 2003
12 transaction, and you describe it as a reverse-loss
13 sale. Your point is that if HPI has the power to
14 force Whitney's price down to Petitioner's lower U.S.
15 prices, then "neither Whitney nor other Chinese
16 imports can be considered the cause of threat of
17 material injury." It's on page 30.

18 What I'm trying to understand is, moving on
19 from that, who was the price leader for ironing tables
20 in the U.S. market between 1997 and 2001, when Chinese
21 penetration was small? Is there any evidence that you
22 can give us of who that was?

23 MR. PERRY: Yes, sir. First, there is
24 substantial evidence that has been put on the record
25 at the preliminary and in our prehearing brief in the

1 appendices about that movement in prices before the
2 Chinese entered. We've already put a lot of evidence
3 on the record. We can put more on the record.

4 COMMISSIONER KOPLAN: How about during the
5 period?

6 MR. PERRY: During the period, too.

7 COMMISSIONER KOPLAN: The examples you're
8 talking about are as specific as the one you have on
9 these two pages of your prehearing brief.

10 MR. BOLTUCK: Yes. There was a focus of
11 evidence in the preliminary staff conference, much of
12 which we've replicated or elaborated on here, plus
13 appendices, yes.

14 COMMISSIONER KOPLAN: Okay. Thank you. I
15 will go back to that.

16 To the extent that you can in this session,
17 is your share of U.S. shipments the same as that when
18 you were a domestic producer of ironing tables? In
19 other words, did your share of the U.S. market change
20 once you became an importer, Mr. Glenn, of the
21 product? And if your share has declined, has there
22 been a net increase in subject imports as a result?

23 MR. GLENN: Would you repeat the last part?

24 COMMISSIONER KOPLAN: If there has been a
25 decline in your share of the U.S. market, was it

1 simply transferred to subject imports? In other
2 words, did they pick up as a result?

3 MR. GLENN: Our market shares have declined,
4 but it's been driven by --

5 COMMISSIONER KOPLAN: U.S. shipments have
6 declined.

7 MR. GLENN: Pardon?

8 COMMISSIONER KOPLAN: You're saying your
9 U.S. shipments have declined.

10 MR. GLENN: Our market share has declined in
11 the ironing board category. Specifically, has it
12 declined since we began importing? The answer is yes,
13 and the most dramatic has been the event of May 1st,
14 which I've made in my opening comment.

15 MR. PERRY: In other words, that share
16 didn't go to Chinese; it went to the Petitioner.

17 COMMISSIONER KOPLAN: It went where?

18 MR. PERRY: To HPI.

19 COMMISSIONER KOPLAN: To HPI. Okay. Thank
20 you. I have nothing further.

21 MR. GLENN: Just to add, I cannot give you
22 an example where we have lost market share to a
23 Chinese importer.

24 COMMISSIONER KOPLAN: All right. Thank you.

25 CHAIRMAN OKUN: Commissioner Lane?

1 COMMISSIONER LANE: Thank you.

2 You indicate that steel prices in China are
3 increasing as a result of import relief. What is the
4 nature and extent of this relief, and is the safeguard
5 action undertaken by China on steel still in effect?

6 MR. PERRY: I can check on that, but I don't
7 think it's so much the import relief in China that's
8 causing prices to rise. It's the tremendous demand
9 surge in China. One comment was it had to do with the
10 Beijing Olympics, but all of a sudden U.S. steel
11 producers are shipping record amounts to China at
12 very, very high prices. I've even heard that the
13 price for steel in China may be getting close to the
14 U.S. price, if not higher. It's really happening.

15 MR. BOLTUCK: This is all up and down the
16 steel supply chain. It isn't just steel. It's also
17 cement and other construction materials. China is
18 getting much wealthier very fast with its high growth
19 rate, its huge population base that it thrives on, and
20 there is a lot of urbanization going on, people moving
21 from the country to the city, a lot of apartments
22 being built, office space, a lot of basic
23 infrastructure that wealthier countries should have,
24 one could ask, you know, in the case of Europe or the
25 U.S., a lot of that was built over a 30- or 40-year

1 period as our areas industrialized, but the Chinese
2 are more ambitious and are trying to achieve a lot of
3 that construction in a much shorter period of time.

4 So with this huge surge in demand, a lot of
5 primary materials, and steel is just, you know, the
6 archetypical example, a lot of primary materials are
7 at record or near-record prices now. It's a worldwide
8 phenomenon, as you heard from the HPI testimony,
9 because they are world markets, but it's especially
10 severe in China as the source of all of that surging
11 demand and an inability in some cases to handle the
12 huge flow through of the product in the country.

13 But it's really pressing Chinese producers
14 who have traditionally used those supplies because
15 there are now spot shortages. Even though the volumes
16 are, in total, bigger than they were, but they are all
17 going into construction of infrastructure. And prices
18 are high, just exceptionally high, you know, up by --
19 you've heard 40 to 70 percent from various sources.

20 COMMISSIONER LANE: Okay. Thank you.
21 That's all the questions I have.

22 CHAIRMAN OKUN: Commissioner Pearson?

23 I'll see if there are any other questions
24 from my colleagues. Seeing none, let me turn to staff
25 to see if staff has questions of this panel.

1 MR. CORKRAN: Douglas Corkran, Office of
2 Investigations. Thank you, Madam Chairman. The staff
3 has no additional questions.

4 CHAIRMAN OKUN: Thank you.

5 Do Petitioners have questions for this
6 panel?

7 For the court reporter, let the record
8 reflect that Mr. Ikenson has indicated they have no
9 questions for this panel.

10 Well, before we turn to the in-camera
11 session, let me take this opportunity to thank all of
12 the witnesses for being here. We appreciate your
13 participation and all of the answers you've given this
14 afternoon to our questions.

15 Madam Secretary, we will now take a few
16 moments to clear the room, and we will come back for
17 the closed session.

18 (Whereupon, at 3:16 p.m., a brief recess was
19 taken to prepare for the in-camera session which
20 follows.)

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1 P U B L I C R E C O R D

2 CHAIRMAN OKUN: Madam Secretary, before we
3 turn to our closing statements, rebuttal and closing
4 statements, can I ask if there are any other
5 procedural matters that we need to take care of.

6 MS. ABBOTT: Yes. Mr. Ikenson asked that
7 the ironing tables from this morning be entered into
8 the record.

9 CHAIRMAN OKUN: Without objection, it will
10 be done.

11 Let me review the time remaining. The
12 Petitioners have a total of 17 minutes remaining,
13 including five minutes for closing. The Respondents
14 have a total of 30 minutes remaining, which includes
15 five minutes for closing. Mr. Ikenson, you may
16 proceed and you may either come forward or use the --
17 or you can stay there, if you'd like.

18 MR. IKENSON: With your permission, Dr.
19 Bradley will give the summation.

20 CHAIRMAN OKUN: Very well. Mr. Bradley?

21 MR. BRADLEY: I would, again, thank you for
22 your attention today. We worked a lot of hard issues
23 and I was very impressed with the questions that the
24 Commissioners asked and I think really go to the heart
25 of the key issues in this case. I do think, in

1 summarizing and thinking about it, there really are
2 some pretty compelling numbers here, in terms of some
3 of the things I presented this morning, the basic
4 facts. And I think if you review the data on the
5 record, it really does show indeed a large surge in
6 imports that competed away business from the domestic
7 industry and that domestic industry, as a result,
8 classically was injured with loss volume, loss sales,
9 loss profits, and so on and so forth.

10 With that brief conclusion, I just say,
11 thank you, very much.

12 CHAIRMAN OKUN: Thank you. Mr. Perry and
13 Mr. Boltuck?

14 MR. BOLTUCK: Richard Boltuck. I think of
15 the 35 remaining minutes, we will only use a very
16 small percentage of that, and I'm sure that will be
17 universally welcome by -- but, the key points, look at
18 HPI's performance, ask yourself, remind yourself why
19 there was a hesitation to find present injury, even a
20 reasonable indication last year. Recognize that
21 production costs, we're not talking about the DOC
22 preliminary determination in February; but, just
23 legitimately, production costs in China are up
24 sharply.

25 So with no antidumping order in place, the

1 Chinese producers are destined to be less competitive
2 going forward. It's not a small amount. It's a major
3 land shift here, in terms of electricity, steel, and
4 freight. There is something different about the world
5 now than there was one year or two years ago, in that
6 respect, and it's been getting a lot of attention, as
7 you know. Recognize, also, that it's -- that, as you
8 know, as we discussed in the in camera session, the
9 pricing trends do not indicate a nexus or connection
10 between HPI's pricing performance and the import
11 pricing trends, and that that's essential to the logic
12 of the Petitioner's argument.

13 And, finally, recognize that there is a lot
14 of granularity in understanding the volume data. This
15 is not some big blob of ironing tables, but it's a
16 complex market. There are ironing tables. There are
17 tables that were brought into use the brand capital of
18 one U.S. producer that went out of business, because
19 it could not sell profitably using its old equipment
20 in the United States. And regardless of whether that
21 producer had decided to import from China, it would
22 have gone out of business. It was going to lose money
23 the way it was. And recognize, also, that a large
24 transaction that you're familiar with and we discussed
25 in the in camera session, there is more to it than

1 meets the eye. And there is direct testimony that
2 would have to be ignored or discredited, when there's
3 no particular reason to believe that you were told
4 anything but the true about the nature of that
5 transaction.

6 I think when all of this is taken into
7 consideration, the case looks very different than the
8 one that HPI is asking you to accept. There just
9 simply is more to it. And I know you've got your --
10 digging in and getting your hands dirty and trying to
11 figure it all out. We, certainly, very much,
12 appreciate that.

13 CHAIRMAN OKUN: Thank you. Post-hearing
14 briefs, statements responsive to questions, requests
15 of the Commission, corrections to the transcript must
16 be filed by June 23, 2004. The closing of the record
17 and final release of data to parties is July 9, 2004.
18 Final comments are due July 13, 2004. You've made me
19 work very hard on my last day as Chairman here, but I
20 appreciate all of your participation today, to all of
21 you. With that, this hearing is adjourned.

22 (Whereupon, at 4:57 p.m., the hearing was
23 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Ironing Tables and Certain Parts
Thereof from China

INVESTIGATION NO.: 731-TA-1047 (Final)

HEARING DATE: June 16, 2004

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

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

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