



## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )  
 ) Investigation No.:  
 METAL CALENDAR SLIDES ) 731-TA-1094 (Final)  
 FROM JAPAN )

Thursday,  
 June 22, 2006

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

The hearing commenced, pursuant to notice, at  
 9:30 a.m. before the Commissioners of the United States  
 International Trade Commission, the Honorable DANIEL R.  
 PEARSON, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

DANIEL R. PEARSON, CHAIRMAN  
 SHARA L. ARANOFF, VICE CHAIRMAN  
 JENNIFER A. HILLMAN, COMMISSIONER  
 STEPHEN KOPLAN, COMMISSIONER  
 DEANNA TANNER OKUN, COMMISSIONER  
 CHARLOTTE R. LANE, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION  
WILLIAM R. BISHOP, HEARINGS AND MEETINGS  
COORDINATOR  
SHARON D. BELLAMY, HEARINGS AND MEETINGS ASSISTANT  
JOANNA LO, INVESTIGATOR  
HEATHER SYKES, INDUSTRY ANALYST  
JOSE SIGNORET, ECONOMIST  
DAVID BOYLAND, ACCOUNTANT/AUDITOR  
KARL VON SCHRILTZ, ATTORNEY  
DIANE MAZUR, SUPERVISORY INVESTIGATOR

In Support of the Imposition of Antidumping Duties:

On behalf of Stuebing Automatic Machine Co.:

MURRAY BLUMBERG, Director, Stuebing Automatic  
Machine Co.  
ALLAN GAVRONSKY, President, Stuebing Automatic  
Machine Co.  
PAMELA RAMP, Accounts/Sales Manager, Stuebing  
Automatic Machine Co.  
ANDREW SZAMOSSZEGI, Managing Consultant, Capital  
Trade, Incorporated  
  
ROY GOLDBERG, Esquire  
Sheppard Mullin Richter & Hampton, LLP  
Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of Norwood Promotional Products, Inc.:

WARREN K. HARRIS, General Manager, Norwood  
Publishing, Norwood  
KEVIN J. HAALA, Process Manager, Norwood  
SHELLEY K. SHOEN, Buyer, Norwood  
  
RITCHIE T. THOMAS, Esquire  
KAREN R. HARBAUGH, Esquire  
IAIN R. MCPHIE, Esquire  
Squire, Sanders & Dempsey, LLP  
Washington, D.C.

Heritage Reporting Corporation  
(202) 628-4888

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Antidumping Duties:

On behalf of Nishiyama Kinzoku Co., Ltd.:

KAZUHIRO NISHIYAMA, President, Nishiyama Kinzoku  
Co., Ltd.

WILLIAM J. MORAN, Esquire  
FRANK H. MORGAN, Esquire  
White & Case, LLP  
Washington, D.C.

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P R O C E E D I N G S

(9:31 a.m.)

CHAIRMAN PEARSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation No. 731-TA-1094 (Final) involving Metal Calendar Slides From Japan.

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

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

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

1           Finally, if you will be submitting documents  
2           that contain information you wish classified as  
3           business confidential your requests should comply with  
4           Commission Rule 201.6.

5           Madam Secretary, are there any preliminary  
6           matters?

7           MS. ABBOTT: No, Mr. Chairman.

8           CHAIRMAN PEARSON: Very well. Let us  
9           proceed with the opening remarks.

10          MS. ABBOTT: Opening remarks on behalf of  
11          Petitioners will be my Roy Goldberg, Sheppard Mullin  
12          Richter & Hampton.

13          CHAIRMAN PEARSON: Good morning, Mr.  
14          Goldberg. You may proceed.

15          MR. GOLDBERG: Thank you. Good morning,  
16          counsel. My name is Roy Goldberg. I'm appearing  
17          before you today on behalf of the Petitioner, Stuebing  
18          Automatic Machine Co.

19          This case is, I believe, one of the simplest  
20          antidumping cases imaginable. You have a single U.S.  
21          Petitioner, Stuebing, which happens to comprise the  
22          entire domestic industry.

23          We have an agreement of the parties as to  
24          the like product. We have a situation in which zero  
25          imports turned into significant imports, and there's

1 no question that the imported slides substituted for  
2 the domestic product.

3 The Petitioner had produced and sold slides  
4 to the largest U.S. calendar purchaser for decades.  
5 Those sales were taken by the imported slides.  
6 There's no dispute about that. There's also no  
7 dispute that these imports grossly undersold the  
8 domestic counterparts. Norwood switched to a low-cost  
9 competitor, and Stuebing was deeply and profoundly  
10 injured as a result.

11 Counsel for Respondents are doing what  
12 defense type attorneys always do when faced with a  
13 clear-cut case on the other side. They try to  
14 distract and confuse. They throw up a barrage of red  
15 herrings designed to try to make it seem as if the  
16 injury sustained by Stuebing was self-inflicted.

17 Fortunately, the record is now before the  
18 Commission and the facts are painfully simple.  
19 Petitioner is not some type of start up that tried to  
20 get into a mature market and was unable to compete  
21 with an entrenched competition. Stuebing has been in  
22 the calendar slide business for over 100 years. It is  
23 a leader of the domestic industry. It is the sole  
24 remaining member of the domestic industry. It would  
25 like to stay a member in the domestic industry.

1           Now, Norwood became the leading acquirer of  
2 this product by a roll up in the 1990s and since then  
3 of buying various customers of Stuebing and the former  
4 U.S. producers of these slides. Issues arose from  
5 time to time. Norwood was, you'll hear, a fussy  
6 customer that demanded excellent service and quality  
7 and received it time and time again.

8           Issues arose. They weren't serious. They  
9 were important and taken very seriously by Stuebing  
10 and addressed. They had disagreements sometimes as  
11 people can do, but not serious.

12           Much of what Respondents are trying to do in  
13 this case is sort of like a wrongful termination case  
14 where the employee has been unlawfully discharged and  
15 then the employer goes back and tries to trump up from  
16 prior correspondence that didn't have the  
17 characteristics it's giving it to try to say this  
18 employee was bad news from day one. We're so glad to  
19 be rid of this person. This was just the worst  
20 situation possible.

21           The fact is is that hundreds of millions of  
22 slides were sold by Stuebing to Norwood and its  
23 predecessors over the decades without serious quality  
24 issues. Now, keep in mind that Norwood did not in the  
25 August 2003 time period just do a clean break. Yes,

1 they canceled these blanket purchase orders from  
2 earlier in the year, but they continued to do custom  
3 purchase orders.

4 They asked for a retender of prices in March  
5 of 2004 and received it. They asked again in June of  
6 2004 for a retender of prices from Stuebing after  
7 telling them the low-cost Japanese prices and received  
8 that retender. No clean break here; not what they're  
9 trying to do right now, but that's because the case  
10 was filed. We'll see what happens in the future.  
11 Business is business. Things are said in litigation.

12 Now, Norwood has gone to considerable  
13 lengths to prove that its decision was not price  
14 related. It even resorts to blatant distortion of the  
15 record. The Norwood public version brief at page 21  
16 makes a reference to an email in the fall of 2002 from  
17 Kevin Haala. Mr. Haala is here today. It says, "Mr.  
18 Haala responded with an email listing a series of  
19 questions, none of which asked the price of the  
20 Nishiyama calendar slides."

21 I invite the Commission to go back to  
22 Exhibit 4 in the confidential submission and Exhibit  
23 12 and take a look at those exhibits and take a look  
24 at that statement and see what the truth is here.

25 Credibility is a very important issue in

1 this case. It goes to the quality issue, and that's  
2 one of many replete times of a lack of credibility in  
3 what is now being portrayed to the members of the  
4 Commission in this case.

5           There's a big credibility issue between what  
6 Mr. Blumberg will testify to -- it's in his  
7 declaration -- as to March of 2004 when Stuebing came  
8 out to the Sleepy Eye facility and showed that they  
9 had these slides that were working, the new integral  
10 eyelet slides. It took hours and hours, thousands of  
11 slides. What do the Respondents say about that?  
12 Well, they brought a few samples, and they worked  
13 okay. Big credibility issues here.

14           Credibility is important because the  
15 evidence they're trying to rely on, Respondents, are  
16 the sufficiency data. There's no expert witness of a  
17 third party industrial engineer, MIT or otherwise,  
18 coming in and saying he ran a test and this is the  
19 result. These were unilateral, unsubstantiated,  
20 biased results that didn't appear until the case was  
21 filed, many of which were done after the case was  
22 filed.

23           The quality complaints. See how many were  
24 done late in the game right before the blanket  
25 purchase order was canceled after the antidumping case

1 was filed.

2 We ask the Commission, and we know you will,  
3 to look at all these issues and take a look at the  
4 facts. Mexico is what the Respondents are saying now.  
5 This is just like Artists Canvas because they're  
6 saying well, we moved to Mexico, and that was  
7 something that had nothing to do with the case.

8 I'm wrapping up. You'll hear from Mr.  
9 Blumberg and the record evidence that Mexico is very  
10 much related to the imported slides.

11 Thank you for your attention this morning  
12 and today. We appreciate it very much. Thank you.

13 MS. ABBOTT: Opening remarks on behalf of  
14 Respondents will be by Ritchie T. Thomas, Squire,  
15 Sanders & Dempsey.

16 MR. THOMAS: I see it's still on. Good.  
17 Good morning, Mr. Chairman, members of the Commission.  
18 I'm Ritchie Thomas with Squire, Sanders & Dempsey,  
19 counsel for Norwood Promotional Products of  
20 Indianapolis, Indiana.

21 Norwood is the only importer and the only  
22 end user of the subject imports which are integral  
23 hanger metal calendar slides manufactured by Nishiyama  
24 Kinzoku Company. It is a pleasure to be before the  
25 Commission again, but this case is a waste of

1 everyone's time.

2           Petitioner based its case on the assertion  
3 that the subject merchandise is "a commodity product."  
4 The facts are to the contrary. Petitioner's calendar  
5 slides are not at all substitutable for the subject  
6 imports. The productivity Norwood experiences with  
7 the Nishiyama slides is so superior to that  
8 experienced with Stuebing slides that the two  
9 different slides are effectively different products.

10           Physical differences between the Stuebing  
11 slides and the subject imports, differences which are  
12 critical to their performance in binding machines,  
13 confirm this difference. In fact, the subject imports  
14 of the domestic like product are best suited for  
15 different calendar binding machines with different  
16 operating systems.

17           All of Norwood's calendar slide type binding  
18 machines are Nishiyama made machines. Major domestic  
19 consumers other than Norwood seem typically to use the  
20 Stuebing binding machines, and no domestic consumer  
21 other than Norwood uses the Nishiyama slides.

22           In addition, all domestic consumers other  
23 than Norwood using Stuebing attached eyelet type  
24 slides, which are a type of slide distinct from the  
25 integral eyelet imports. Petitioner claims domestic

1 consumers prefer the attached eyelet slide.

2           Petitioner asserts that "Norwood in February  
3 2003 hired a sourcing consultant, Cingergetics, who  
4 identified Respondents Nishiyama as a Japanese  
5 supplier" of metal calendar slides. This assertion is  
6 critical to the prehearing brief version of events,  
7 under which in 2003 Norwood allegedly went looking for  
8 a supply of lower priced slides.

9           Documentary evidence in the record shows  
10 that in fact Norwood on its own initiative looked for  
11 an alternative in the fall of 2002. It was looking  
12 for better productivity, not lower prices, and Norwood  
13 itself located Nishiyama as a potential supplier. It  
14 was not until March 2003 that Synergetics was retained  
15 and then not as a sourcing consultant as claimed by  
16 Petitioner, but to advise Norwood on productivity  
17 improvement.

18           Petitioner seeks to make much of the volume  
19 and market share subject imports gained in the POI.  
20 However, they were gained at a single customer by a  
21 product for which Petitioner's product is not  
22 substitutable.

23           Dumping is not about the mere presence of  
24 imports, but about price. Here, however, there's no  
25 evidence of price effects. The underselling

1 calculations in the prehearing report are irrelevant.  
2 As the products concerned do not compete, there's no  
3 real underselling. There certainly is no evidence of  
4 any price effects of the so-called underselling.

5 The Commission's price data show a large  
6 price spread between the subject imports and the  
7 domestic product, yet the domestic product's price did  
8 not decrease and the spread did not narrow in the POI.  
9 There is no correlation whatsoever between the prices  
10 of the domestic product and the subject imports.

11 Petitioner claims it has suffered price  
12 suppression in a cost/price squeeze. However, given  
13 the absence of any correlation between the subject  
14 imports and domestic product prices the data do not  
15 support the inference that any perceived limit on  
16 Petitioner's price rises was imposed by subject  
17 imports. In fact, no price suppression was evidenced  
18 in Petitioner's data, and no cost/price squeeze is  
19 shown.

20 When one looks at Petitioner's profitability  
21 on its U.S. commercial shipments in this period, it is  
22 clear Petitioner had an exceptionally profitable  
23 operation for most of the POI.

24 Petitioner claims it moved production  
25 equipment to Mexico in 2005 because of a threat to its

1 U.S. sales posed by the subject imports, but in the  
2 two years immediately preceding the move no offer or  
3 sale of the subject imports had been made to any U.S.  
4 consumer other than Norwood. There had been no  
5 discernable effect of the subject imports on  
6 Petitioner's U.S. price or average unit sale value.

7 The real reason for Petitioner's transfer of  
8 production units to low cost, high profit facilities  
9 in Mexico lay in developments in its U.S. export sales  
10 and in a perfectly natural desire to increase its  
11 profits.

12 Former Chairman Brunsdale gave the  
13 definitive response to claims that relocations of  
14 production to such locations as Mexico was a direct  
15 result of dumping. He stated in Residential Door  
16 Locks From Taiwan, "It is implausible to me that the  
17 domestic manufacturer of residential door locks would  
18 have passed up such substantial cost savings if they  
19 had not faced competition from dumped imports."

20 Even more implausible is Petitioner's claim  
21 that if an order were to be imposed in this case it  
22 would give up those cost savings and the associated  
23 profits, close the Mexican operation and repatriate  
24 its production to the United States.

25 This case involves from Norwood's data less

1 than \$1 million in trade, a three percent dumping  
2 margin and no prospect whatsoever that any order  
3 issued will affect trade or, if it did, that the U.S.  
4 industry would obtain any benefit as a result. It  
5 demands a negative determination.

6 Thank you very much.

7 CHAIRMAN PEARSON: Madam Secretary, please  
8 call the first panel.

9 MS. ABBOTT: Will the first panel in support  
10 of the imposition of antidumping duties please come  
11 forward and be seated?

12 Mr. Chairman, all witnesses have been sworn.

13 (Witnesses sworn.)

14 MR. GOLDBERG: Petitioners are ready to  
15 proceed with our first witness.

16 CHAIRMAN PEARSON: Please begin, Mr.  
17 Goldberg.

18 MR. BLUMBERG: Thank you.

19 MR. GOLDBERG: I'll introduce you. Just a  
20 second.

21 Petitioners will first present the testimony  
22 of Murray Blumberg, who is the director of the  
23 Petitioner, Stuebing.

24 MR. BLUMBERG: Good morning. I appreciate  
25 the opportunity to appear before you today to testify

1 on behalf of Stuebing Automatic Machine Company.

2 CHAIRMAN PEARSON: Could you please pull the  
3 microphone a little bit closer?

4 MR. BLUMBERG: Sure. Is that any better?

5 CHAIRMAN PEARSON: Yes.

6 MR. BLUMBERG: Stuebing is the sole domestic  
7 manufacturer of metal slides. I am a director at  
8 Stuebing, and I have been involved in the metal  
9 calendar slide business for 32 years.

10 I have firsthand knowledge of many of the  
11 critical facts that are before the Commission which  
12 clearly demonstrate that Stuebing is suffering  
13 crippling financial injury and that such injury has  
14 been caused and continues to be caused by imports of  
15 metal calendar slides from Japan.

16 Injury to the domestic industry. As a  
17 director of and investor in Stuebing, I have  
18 personally witnessed and felt the dramatic financial  
19 injury that Stuebing has experienced since metal  
20 calendar slides started to be imported into the United  
21 States in 2003.

22 The Commission need look no further than  
23 Stuebing's audited financial statements to see the  
24 injury that Stuebing has suffered. The actual figures  
25 are set forth in paragraph 3 of my declaration and in

1 Exhibits 1, 2 and 3 to that document.

2 Without going into confidential business  
3 information, these numbers show that Stuebing went  
4 from a respectable positive six figures in 2002, the  
5 last year before the Japan imports entered the U.S.  
6 market, to a lesser but still decent figure for 2003,  
7 dropping off to less than six figures in 2004 and then  
8 ripening into a considerable loss by 2005.

9 Under no stretch of the imagination can it  
10 be said that Stuebing has not suffered financial  
11 injury. It is equally clear that the cause of  
12 Stuebing's financial injury is the imports of metal  
13 calendar slides from Japan. There is a direct  
14 correlation between Stuebing's financial downfall and  
15 the appearance of the Japanese imports into the U.S.  
16 market.

17 As a direct result of Nishiyama selling its  
18 slides into the United States market, Stuebing's  
19 domestic shipments and market share spiraled downward  
20 and remained at levels that are much smaller than they  
21 were in 2002.

22 Stuebing has also been forced to lay off a  
23 substantial number of workers in the United States in  
24 connection with its metal calendar slide operations.  
25 Specifically between 2002 and 2004 the number of

1 workers in the domestic industry decreased by over 20  
2 percent. The reduction in 2005 was even more  
3 dramatic, resulting in a decrease of over 60 percent  
4 of our employees from 2002.

5           These layoffs were in connection with our  
6 need to transfer machines that manufacture calendar  
7 slides to Stuebing's sister company in Mexico. In  
8 2004 we began to set up this lower cost manufacturing  
9 facility in Mexico. By the end of last year, Stuebing  
10 moved over 50 percent of its machines that produce  
11 metal calendar slides to this facility overseas in an  
12 attempt to compete against the unfair imports from  
13 Japan.

14           Also in 2004 Petitioner moved its U.S.  
15 operations to a smaller premises in Cincinnati, Ohio.  
16 As a result, Stuebing has slightly more than 10  
17 employees working in this smaller domestic facility  
18 that it rents. The production facility is about five  
19 times smaller than the larger production facility  
20 owned by Stuebing's affiliates before the domestic  
21 industry was decimated by these less than fair value  
22 imports from Japan.

23           Today I shall address the various  
24 misstatements and mischaracterizations that the  
25 Respondents, Nishiyama and Norwood Promotional

1 Products, have made in their misguided and cynical  
2 effort to deprive Stuebing of the protection it seeks  
3 from the United States antidumping law.

4 I'm confident that the truth will come out  
5 and that it will lead the Commission to reach the  
6 appropriate result here, which is unquestionably that  
7 there is injury to the domestic industry by reason of  
8 the Japanese imports.

9 A shift of significant slide production to  
10 Mexico. It is the height of irony for Respondents to  
11 assert that Stuebing's financial injury has been  
12 caused not by imported slides from Japan, but rather  
13 from Stuebing's decision to shift a significant  
14 portion of its slide production to Mexico.

15 I can assure you that Stuebing is not before  
16 you today because we made some unrelated decision to  
17 shift a significant portion of our production of metal  
18 calendar slides from Cincinnati to Mexico. Stuebing  
19 has produced metal calendar slides for more than 100  
20 years. It has always been our intention and hope to  
21 continue to be the primary U.S. producer of metal  
22 calendar slides.

23 Before the commencement of the low-priced  
24 Japanese imports, we never considered moving  
25 production outside of the United States. We first

1 considered moving machines to Mexico as a direct  
2 reaction to our experience in losing our largest  
3 customer, Norwood, to low-priced Japanese slides.

4 It is very exasperating to hear Norwood's  
5 counsel claim that Stuebing has no contemporaneous  
6 written evidence that it decided to move machines to  
7 Mexico as a result of the Japanese imports. I would  
8 direct his attention and that of the Commission to  
9 Exhibits 17 and 18 to my declaration.

10 The first exhibit is a long memo I sent to  
11 Stuebing's accountant on June 10, 2004, to help us  
12 consider several options, including a potential move  
13 to Mexico expressly because of the competition we were  
14 facing from the Japanese imports.

15 It is no coincidence that this memo was sent  
16 one day after Stuebing submitted a revised tender to  
17 Norwood which offered to meet the cut rate prices that  
18 Norwood was paying to Nishiyama for Japanese slides.  
19 I refer the Commission to Exhibit 9 to my declaration.

20 The second exhibit, No. 18, is called  
21 Survival Plan. I sent this one week after my June  
22 memorandum to the accountant. This memorandum once  
23 again specifically mentions the possibility of  
24 competing with the Japanese imports by moving some of  
25 the machines to Mexico.

1           In the face of this contemporaneous written  
2 evidence of the direct linkage between the Japanese  
3 imports and our consideration of moving slide making  
4 machines to Mexico, it is entirely improper for the  
5 Respondents, out of desperation or otherwise, to argue  
6 that no connection exists.

7           I can also assure the Commission that the  
8 slide producing facility operation that remains in  
9 Cincinnati is not only for show as Respondents  
10 cynically maintain. Only approximately 14 percent of  
11 Stuebing's U.S. sales are sourced from the Mexican  
12 operation. The remaining vast majority of U.S. slide  
13 shipments are slides produced at the Cincinnati plant.

14           Our Ohio operation has been badly bruised  
15 and is in desperate need of protection from the  
16 antidumping laws, but it is still standing and with  
17 the assistance of the Commission will remain so.  
18 Moreover, once we have antidumping relief in place we  
19 plan to move back a considerable number of slide  
20 producing machines to Ohio.

21           Stuebing's slides are of high quality and  
22 fully comparable to and comparative with Japanese  
23 slides. Both Norwood and Nishiyama have gone to great  
24 lengths to try to portray Stuebing's metal calendar  
25 slides as inferior to their Japanese counterparts.

1       However, this assertion is directly contradicted by  
2       both the hard evidence before the Commission and  
3       common sense.

4               Norwood is the largest supplier -- the  
5       largest producer, shall I say -- of promotional  
6       calendars in the United States. It is the result of a  
7       roll up in the calendar industry and represents the  
8       merging of several calendar producing companies.

9               Before Norwood started to import slides from  
10       Japan it hired Paul Smyth to assist it in becoming an  
11       even more hardnosed competitor in the calendar  
12       business. A primary goal of Mr. Smyth was to make  
13       more money for Norwood by spending less money on the  
14       components used to manufacture calendars, including  
15       the slides. Indeed, on repeated occasions Mr. Smyth  
16       told me that Norwood favored Japanese slides because  
17       of their very low prices.

18               Stuebing is not some start up company that  
19       was hurt in the market because it could not compete on  
20       quantity with one or more established industry  
21       stalwarts. To the contrary, Stuebing has been in the  
22       slide business for more than a century and has been a  
23       leader in technical improvements in how slides are  
24       manufactured.

25               For decades, Stuebing enjoyed a terrific

1 customer relationship with Norwood and its  
2 predecessors. Stuebing supplied metal calendar slides  
3 to Norwood for all of those years without any  
4 significant quality issues ever arising. Minor issues  
5 that arose from time to time were quickly resolved by  
6 Stuebing.

7 When 2003 opened, we assumed that based on  
8 the long positive relationship between the two  
9 companies and the experiences we had to date that  
10 Norwood would continue to remain our largest customer.  
11 We even received from Norwood the customary large  
12 blanket order at the beginning of the year.

13 The Commission has before it the declaration  
14 of Ronald P. Anderson. Mr. Anderson was at Norwood  
15 for years. His declaration is a testament to the  
16 strong relationship that existed between our two  
17 companies. A concerning piece of evidence from a  
18 former Norwood official is provided at Exhibit 14 to  
19 my declaration.

20 Stuebing's quality did not change. What did  
21 change was that Norwood decided that it might have a  
22 competitive advantage over its competitors in the  
23 United States if it could find a cheap source of  
24 calendar slides.

25 Exhibit 4 to my declaration is the undated

1 fax from Paul Smyth which out of the blue canceled the  
2 blanket orders that Norwood had placed earlier in 2003  
3 for slides from Stuebing. The response by Mr.  
4 Gavronsky dated September 9, 2003, is Exhibit 5 to my  
5 declaration.

6 In the context of what Norwood was doing at  
7 the time, it is obvious to me that Norwood was trying  
8 to justify its cancellation of the blanket order by  
9 trumping up quality allegations that did not actually  
10 reflect the facts or the relationship between the two  
11 companies.

12 Over the years, Stuebing has supplied  
13 millions of slides to Norwood. Issues have arisen  
14 from time to time. On rare occasions the slide may  
15 not be shipped in perfect condition or the softness of  
16 the metal may have slightly changed or things to that  
17 effect.

18 When these issues arose, and they were  
19 extremely rare, Stuebing embraced them. We sent our  
20 technicians to Norwood and engaged in a professional  
21 dialogue with them. If Norwood wanted softer metal,  
22 we gave it to them.

23 Now, in the context of their canceling the  
24 blanket order in favor of the low-priced Japanese  
25 slides and in this antidumping case, Norwood tries to

1 paint that activity as exhibiting a lack of good  
2 quality on the part of Stuebing's slides.

3 Our technicians noticed that some of the  
4 problems experienced by Norwood appeared to have been  
5 caused by using worn out tinning machines. Norwood  
6 tries to blame Stuebing for making this observation,  
7 but we learned from Piers import data that Norwood  
8 imported new tinning machines from Japan, so obviously  
9 they ultimately agreed with our recommendation.

10 Except for Norwood, all of our U.S.  
11 customers prefer slides that have plastic eyelets. We  
12 have found it more convenient for calendar owners to  
13 hang the calendars by using the plastic eyelets.  
14 However, integral eyelet slides were not new to  
15 Stuebing. To the contrary, we invented such slides  
16 years ago.

17 In any event, once we were told by Norwood  
18 that they wanted to shift to integral eyelet slides we  
19 set forward to perfect a product for Norwood, and that  
20 is actually what we delivered.

21 By March 2004, Stuebing had developed a  
22 counterpart of the Japanese integral eyelet slide that  
23 was as good as the Japanese slide, if not superior in  
24 every possible way. A significant portion of my  
25 declaration details what occurred in March 2004 when I

1 and Mr. Gavronsky and Bill Piernan traveled to Sleepy  
2 Eye, Minnesota, to give Norwood a firsthand  
3 demonstration of the quality of the integral eyelet  
4 slides from Stuebing.

5 This demonstration lasted hours and resulted  
6 in unanimous agreement among the Norwood personnel in  
7 attendance that the Stuebing slides achieved 100  
8 percent of the productivity and runnability that  
9 Norwood wanted by March 2004.

10 The allegation by Norwood that "they ran a  
11 few samples which remarkably demonstrated no immediate  
12 problem" is a blatant mischaracterization. Norwood's  
13 operators ran over 11,000 slides over a period of  
14 several hours during which there were no problems at  
15 all.

16 We brought with us six wooden boxes of  
17 slides. Two of the boxes contained 4,000 17-inch  
18 integral hanger slides, two boxes contained 4,000  
19 18-inch integral hanger slides, and the remaining two  
20 boxes contained approximately 3,000 each of a slightly  
21 different specification, that is the three-quarter  
22 inch width, and having an integral eyelet of a  
23 slightly different style, a large triangular eyelet.  
24 The length of these slides with integral eyelets  
25 varied between the 17- and 18-inch length.

1                   On arrival at Norwood we were met by Mr.  
2                   Smyth and Norwood's Shelley Shoen, who escorted us to  
3                   the calendar manufacturing department and introduced  
4                   us to two of their production workers, John Lang and  
5                   Marlin Tower. We witnessed two of Norwood's machines  
6                   manufacturing calendars with Japanese slides sizes 17-  
7                   and 18-inch in length.

8                   Norwood's staff carefully examined our  
9                   slides and compared them to the Nishiyama slides. The  
10                  Norwood employees unanimous agreed that the Stuebing  
11                  slides were equal to Nishiyama's slides in all  
12                  material respects, including the radii and angle of  
13                  the bend, the width of the slide, material thickness  
14                  and hangers.

15                 Norwood then halted production of calendars  
16                 with Japanese slides and loaded the Stuebing slides  
17                 into the hoppers of both machines. We then observed  
18                 Norwood's calendars being tinned with Stuebing slides.  
19                 This production ran flawlessly. We continued to  
20                 observe the tinning process for several hours until  
21                 most of the Stuebing slides were used up.

22                 The demonstration was witnessed by myself,  
23                 Alan Gavronsky and Bill Piernan all from Stuebing and  
24                 from Norwood Shelley Shoen, two production maintenance  
25                 people, four of Norwood's tinning machine operators

1 plus an older man who recently had been hired by  
2 Norwood, but who subsequently left that company, and  
3 intermittently Paul Smyth who recently had gotten eye  
4 surgery, and Kevin Haala, a quality control  
5 supervisor.

6 At times during the demonstration small  
7 stacks of the Stuebing slides were intermingled with  
8 the Japanese slides. This process of mixing the  
9 slides occurred without stopping the automatic  
10 machines or making adjustments to them. The Stuebing  
11 slides continued to run without any problems  
12 whatsoever.

13 During the course of the demonstration  
14 various Norwood employees, including the machine  
15 operators, two production maintenance people and  
16 Shelley Shoen, agreed that the Stuebing slides ran  
17 perfectly.

18 Following the demonstration, we were invited  
19 to a meeting chaired by Paul Smyth and attended by  
20 other Norwood personnel, including Shelley Shoen and  
21 the older gentleman referenced above. At one point  
22 the senior machine operator was invited to join the  
23 meeting.

24 During this meeting, all Norwood personnel  
25 agreed that the Stuebing slides ran perfectly. In

1 fact, the senior operator remarked that in some  
2 instances the calendars tinned with Stuebing slides  
3 had stacked better than the calendars tinned with  
4 Japanese slides.

5 The positive observation made by one of  
6 Norwood's staff was that those slides that we had  
7 provided with the larger triangular eyelets presented  
8 a more accessible hole in the slide for hanging than  
9 was the case with the Japanese slide. In the case of  
10 the Japan slide, the eyelet was partly folded over and  
11 obscured, thus rendering the calendar not usable for  
12 hanging on a hook.

13 Later that same morning we were told again  
14 by Norwood at its offices that the imported Japanese  
15 metal calendar slides were much less expensive than  
16 the domestic slides being produced and sold to them by  
17 Norwood. Furthermore, they told us that the Japanese  
18 slides were less expensive despite the fact that the  
19 shipping costs added 40 percent to the FOB price of  
20 the Japanese product.

21 This statement was very surprising to me  
22 given the numerous considerable additional freight and  
23 related costs involved in importing these products  
24 from Japan, all of which must be considered to  
25 determine the true cost of shipping these products to

1 Norwood by container from Japan. However, I was still  
2 left with the impression that if the prices were the  
3 same the business would go to Stuebing.

4 It was extremely gratifying to me that all  
5 the work we had done to create the Japanese  
6 specification slide had paid off when the Norwood  
7 personnel unanimously agreed the Stuebing slides had  
8 run just as well as the Nishiyama slides. I left  
9 Norwood believing that Stuebing would be supplying a  
10 significant volume of Norwood's slide business.

11 In May 2004, Norwood informed us in writing  
12 that the Japanese specification slide produced by  
13 Stuebing was acceptable and equal to the imported  
14 slide. Norwood concluded that "runnability is the  
15 same" between the imported and Stuebing slide, but  
16 that the box weight of the Stuebing slide was superior  
17 and that "Stuebing calendars stack better."

18 Norwood asked us to submit a retender, but  
19 after advising us that the Japanese prices were  
20 especially low. It was a very logical yet important  
21 question to ask. If Norwood was not completely  
22 satisfied with the quality and runnability of the new  
23 Stuebing integral eye slide, why did it ask us to  
24 retender prices in June 2004?

25 Norwood's key objective was lower price. I

1 feel sure that had Stuebing agreed to supply the  
2 slides below the already cut rate price offered by  
3 Nishiyama we would have won back a significant portion  
4 of the business, but at a cost that would have been  
5 disastrous.

6 I categorically reject the claim by Norwood  
7 that Japanese slides do not compete with Stuebing  
8 slides in the United States market. This is a  
9 ridiculous argument. The Petitioner used to fill all  
10 of Norwood's requirements of metal calendar slides to  
11 Norwood for decades, and Norwood, together with the  
12 competitors it had swallowed up, constitutes the giant  
13 of the U.S. calendar market accounting for one-third  
14 of the entire industry.

15 Norwood's purchases of metal calendar slides  
16 is now equal to about 50 percent of the Petitioner's  
17 remaining United States market. Norwood asserts that  
18 its competing calendar purchasers in the United States  
19 lack information regarding foreign sources of metal  
20 calendar slides.

21 Has it occurred to Norwood's counsel that  
22 the entire rest of the United States market is  
23 completely happy with the products and services it  
24 sources from the Petitioner as was Norwood for decades  
25 until the advance of the low-priced imports from Japan?

1           The Commission should not accept the  
2           contention that Norwood would not consider purchasing  
3           slides from Stuebing because of a "strained  
4           relationship" with Stuebing. Norwood will say what it  
5           wants now to try to prevent the antidumping order from  
6           going into effect, but beyond that business is  
7           business.

8           Stuebing supplied Norwood for decades. One  
9           of the prime Norwood employees responsible for  
10          switching from Stuebing slides to Nishiyama slides,  
11          Paul Smyth, is no longer with the company. We feel  
12          confident that ultimately the strong relationship that  
13          existed between these two companies can be resurrected  
14          once the imports are fairly priced.

15          We always had a very positive relationship  
16          with Paul Smyth's predecessors, Ron Anderson and Ron  
17          Schmidt. See also Ron Anderson's declaration relating  
18          to Norwood's satisfaction over decades with our  
19          quality and generally with us as a supplier.

20          With regard to some of the specific quality  
21          complaints that Norwood has raised, let me state as  
22          follows: Firstly, softer steel. This is not true.  
23          The United States steel mills no longer run the T2  
24          temper. It is not readily available, and we do not  
25          use it anymore, even though we would like to because

1 many users prefer it.

2           Sharp corners. Presumably this is meant to  
3 refer to the right-angle corners which satisfied  
4 Norwood in the use of over 200 million slides for more  
5 than 20 years. See declaration of Ron Anderson.  
6 Never a single complaint in 30 years about right-  
7 angled corners from Norwood or anyone else.

8           Inconsistent lengths. This untrue statement  
9 demonstrates a lack of understanding of the process of  
10 manufacturing metal calendar slides. The length of  
11 the slide is determined by a slitting operation  
12 whereby sheets of steel are slit to a particular width  
13 equal to the width of a slide. Once the setting heads  
14 have been set, they do not move backwards and  
15 forwards, which is the only way that inconsistent  
16 lengths could be caused.

17           Rough edges "capable of scratching other  
18 slides" and damaging calendars. Our slides are  
19 processed, as mentioned previously, through strict  
20 quality control procedures, and our edges are not  
21 rough. Norwood, to the best of my knowledge, has  
22 never complained about rough edges or the theoretical  
23 results mentioned above.

24           The allegation about lip feeds of our  
25 Japanese specification slides is a complete

1 fabrication. Stuebing supplied about two million of  
2 our Japanese spec slides to Norwood, which they ran  
3 with not a single return and with no real problems.

4 The bottom line is that 96 to 97 percent of  
5 even the old plastic eyelet attached specification  
6 slides which apply to Norwood were satisfactory, and  
7 we offered to and did replace the three to four  
8 percent slides which they rejected without question.  
9 Incidentally, we resold most, if not all, of the  
10 rejected slides returned by Norwood without problems  
11 to other users.

12 Of course, the Commission should discount  
13 complaints raised by Norwood for product shipped after  
14 the antidumping case was filed. The only material  
15 respect in which Stuebing's new slide differed from  
16 the Japanese slide was that the corners were not  
17 rounded. In this regard Norwood accepted the  
18 variation, and rightly so, that the only perceived  
19 advantage of rounding the corners is that operators in  
20 the calendar assembly factory are less likely to cut  
21 their fingers on right-angled corners.

22 However, we have never received a complaint  
23 from Norwood or any other customer of operators  
24 cutting their fingers on the corners. Moreover, once  
25 the calendar is tinned, i.e. the slide is attached to

1 the calendar, the advantage of rounded corners  
2 disappears. Therefore, the advantage of rounded  
3 corners, if any, is a temporary one. It can never be  
4 an advantage to end users of the calendar.

5 The only other difference between  
6 Nishiyama's slide and our new slide is that Nishiyama  
7 turns the burr on the edge of the slide to the inside.  
8 Again, once the slide is attached to the calendar any  
9 possibility of the user cutting their fingers on a  
10 virtually imperceptible burr which is flat against the  
11 back sheet of the calendar is in reality nonexistent.

12 Again, we have never had a complaint about  
13 anyone -- operators of calendar assembly plants or end  
14 users -- cutting themselves on a burr on the long edge  
15 of a calendar slide at the back of the calendar. We  
16 keep our knives sharp, and such burrs are kept to  
17 reasonable limits.

18 Furthermore, a calendar slide is not a  
19 product that is used, i.e., once the calendar is  
20 displayed on the wall it is not handled unlike other  
21 products, for example metal fasteners, where users  
22 continually move their fingers up and down along the  
23 edges of such file fasteners or paper fasteners.

24 Metal calendar slides are the same product  
25 made from the same materials in fundamentally the same

1 manner and are used for exactly the same purpose in  
2 the identical binding or tinning machines and sold  
3 through the same supply chains. The only difference  
4 is the choice of eyelet. This doesn't turn a duck  
5 into a horse.

6 I remind the ITC that Stuebing made integral  
7 hanger metal calendar slides before Nishiyama came  
8 into existence. The integral hanger slide was a  
9 forerunner to the eyelet attached slide, and it is a  
10 simpler, more primitive product than an eyelet  
11 attached slide.

12 However, even if my above statements were  
13 hypothetically incorrect, the Japanese part integral  
14 hanger slide which the Petitioner duplicated for  
15 Norwood with Norwood's blessing and encouragement is  
16 identical in all intents and purposes with the  
17 Nishiyama metal calendar slide.

18 The complaint from Norwood about Stuebing  
19 switching to a softer metal is highly ironic. Norwood  
20 actually requested us to use a softer tin, and we had  
21 to go to great lengths and trouble to source the  
22 softer tin, which by 2003 had become very scarce.

23 Much is made of the use by Stuebing of  
24 softer material. This softer material was always  
25 regarded as the most desirable material by Stuebing

1 and most of its customers, including Norwood.  
2 However, this softer material has become increasingly  
3 difficult to come by during the period of  
4 investigation. There has, however, not been a problem  
5 securing the harder, double reduced material in the  
6 USA during the period of investigation or now.

7 Both Stuebing and Nishiyama stated at the  
8 preliminary hearing that we are dependent on sourcing  
9 our steel requirements as this arises from available  
10 sources. Neither Nishiyama or Stuebing can afford to  
11 place orders for prime material with steel mills. If  
12 that was the case, Stuebing's prices for its metal  
13 calendar slides would be double the existing prices,  
14 and Nishiyama's prices would be four times their  
15 existing prices.

16 Both Stuebing and Nishiyama gave evidence  
17 that there is a range of material within certain  
18 defined parameters, namely thickness, temper, et  
19 cetera, which are acceptable to manufacture metal  
20 calendar slides, and one does not have control over  
21 the exact specifications of material that arises or  
22 becomes available from time to time.

23 Nishiyama acknowledged at the preliminary  
24 hearing that they are also dependent on the  
25 availability of material within a range of thicknesses

1 and tempers. They do not make slides to a particular  
2 specification of material and temper specified by  
3 customers.

4 If that was not the case, why does Nishiyama  
5 not order a preferred exact thickness -- for example,  
6 70 pound only -- and one specification of temper or  
7 hardness -- for example, Temper 3 -- as opposed to a  
8 range of material thicknesses and tempers?

9 I also must question the claim that Norwood  
10 has never had any problem with calendar slides  
11 produced by Nishiyama. When I visited Norwood in  
12 March 2004, Paul Smyth, in the presence of Shelley  
13 Shoen, acknowledged that Norwood had had problems with  
14 what he called Vendor B's slides.

15 The impact of low prices from Japan. It is  
16 not true, as Norwood claims, that there is no  
17 connection between the prices of Japanese slides and  
18 the prices of Stuebing's slides. If price was not  
19 important, why would Norwood buy product equal in all  
20 respects to Nishiyama's product at a higher price than  
21 what they're paying Nishiyama? The answer is clearly  
22 that they would not.

23 Why did Paul Smyth and Shoen make so much  
24 about the lower priced Japanese product? Why did they  
25 tell Stuebing what prices Stuebing was up against?

1 Why did they invite Stuebing to retender at lower  
2 prices?

3 Because of the low prices of Japanese  
4 slides, Norwood effectively pressured Stuebing to  
5 retender its slides at lower prices, which were at the  
6 level that we were told by Norwood was necessary to  
7 match the Japanese pricing.

8 More importantly, we have not been able to  
9 raise our slide prices to our primary customers for  
10 three years for the majority of slides we sell because  
11 of our concern that Nishiyama either directly or  
12 indirectly through Norwood would take those customers  
13 away as well. A confidential list of those customers  
14 was provided in Exhibit 23 to my declaration.

15 Under normal circumstances, that is were it  
16 not for the continuing threat from imported slides  
17 from Japan, we would have increased our prices to all  
18 of these customers when faced with the significant  
19 increases in the prices of steel.

20 The tinning machine. It is not correct, as  
21 Norwood claims, that Stuebing calendar slide binding  
22 machines have historically used a pneumatically-driven  
23 crimping mechanism. Stuebing was building cam-driven  
24 machines manually fed before Nishiyama came into  
25 existence.

1           Nishiyama in fact admitted to my late father  
2           that they copied the basic principle of Stuebing's  
3           tinning machine and incorporated this into their  
4           automatic belt-fed machines.

5           It is true that Stuebing produced a range of  
6           pneumatically-driven automatic machines for a period  
7           up to the time that the light gauge steel was freely  
8           available. Subsequently, as steel in only heavier  
9           gauges has become available, Stuebing reverted to the  
10          use of cam-driven machines.

11          The statement that most, if not all, others  
12          are believed to have one or more pneumatically  
13          operated Stuebing Calamatic machines and thus find it  
14          desirable to purchase the generally softer Stuebing  
15          calendar slides is both fallacious and misleading.  
16          The position is actually that most, if not all, larger  
17          and medium users have one or more cam-driven machine.

18          The preference of all users in the United  
19          States other than Norwood is not predicated by the  
20          binding machines they have, but instead by their  
21          preference for this type of eyelet attached metal  
22          calendar slides, as well as the support of a reliable  
23          United States manufacturer. Much as it must be  
24          amazing to Norwood, there is still such a thing as  
25          loyalty.

1                   Threat from imported Japanese slides.  
2           Stuebing continues to believe there is a continuing  
3           serious threat of injury by reason of the imported  
4           slides from Japan. The claim by Nishiyama that it had  
5           no interest in the United States slide market is  
6           contradicted by the fact on more than one occasion  
7           Nishiyama tried to get Stuebing to agree to import  
8           metal calendar slides from Japan.

9                   Indeed, on one occasion in which Nishiyama  
10          made a proposal to me for distribution of Nishiyama's  
11          slides in the United States as referenced in my  
12          June 10, 2004, memo to the accountant, which is  
13          Exhibit 17 to my declaration.

14                  Indeed, on that same day, June 10, 2004, Mr.  
15          Nishiyama sent me a fax which stated that Nishiyama  
16          was "much interested in selling slides to European  
17          Union and North American markets" and that they would  
18          "produce metal slides" for Stuebing to "sell them in  
19          the States and EU in the future under a good  
20          partnership."

21                  The fax also requested our help because,  
22          according to Nishiyama, Japanese slides had "been  
23          partly accepted in the States market since last year,"  
24          but Nishiyama "did not believe" that their slides were  
25          yet popular in the United States or fully accepted.

1 They also proposed "to push sales of Japanese slides  
2 in the States or EU market."

3 Even if Nishiyama is only dealing directly  
4 with Norwood as it claims, let's keep in mind that  
5 Norwood is trying to become even bigger. The  
6 confidential report included as an attachment to our  
7 petition from IR explains how Nishiyama's production  
8 of metal calendar slides in Japan had declined from  
9 approximately 160 million slides per year to  
10 approximately one-third of that amount as a result of  
11 the shift in Japan to paper slides.

12 Conclusion. We are requesting antidumping  
13 relief in the best interest of our employees, our  
14 consumers and the domestic industry as a whole. We at  
15 Stuebing have made the investments needed to remain  
16 competitive if there is a level playing field.  
17 However, unless tariffs are imposed this industry, its  
18 employees and its American consumers will not survive  
19 in the long term.

20 The petition in this case simply seeks a  
21 level playing field with respect to imports from  
22 Japan. Hence, I respectfully request that the  
23 International Trade Commission enter a finding that  
24 there has been and that there is a threat of material  
25 injury to our domestic industry by means of dumped

1 imports from Japan so that we can get on with the  
2 business of producing metal calendar slides for the  
3 domestic industry.

4 I would be pleased to respond to any  
5 questions you might have. Thank you.

6 MR. GOLDBERG: Members of the Commission,  
7 perhaps before any questions we have one remaining  
8 speaker, which is Mr. Andrew Szamosszegi from Capital  
9 Trade. I would invite him to speak at this time.

10 MR. SZAMOSSZEGI: Good morning. Roy has  
11 given my particulars. I'm Andrew Szamosszegi. I am a  
12 managing consultant at Capital Trade, Inc.

13 Before beginning I would like to  
14 congratulate the new chairman, Mr. Pearson, and vice  
15 chair, Ms. Aranoff, and to also congratulate or thank  
16 their predecessors for a job well done.

17 Let me begin. This is obviously a very  
18 interesting case that presents some analytical issues  
19 that are not unique in isolation, but may be unique in  
20 combination. It's not unusual for respondents to  
21 denigrate petitioner's quality, but it's interesting I  
22 think that there's only one Respondent who is  
23 complaining here today.

24 It is not unusual for a petitioner to have  
25 operations outside the United States, but I think it

1 is unusual that there is such a direct casual link  
2 between the movement of those operations abroad and  
3 the subject imports.

4 There's also the fact a few producers of the  
5 manufactured goods that seek relief from unfairly  
6 traded imports are significant exporters, but in this  
7 case again Stuebing is.

8 Now, Respondents have taken these factual  
9 elements and woven a web of factual and economic  
10 arguments that mischaracterize Stuebing's product,  
11 business motives and export activity with one outcome  
12 in mind, and that is to make this Commission believe  
13 that the material injury of the last three years has  
14 nothing to do with the very large increase in dumped  
15 imports.

16 Now, it's easy, given the factors at work  
17 here, to miss the forest for the trees. If the  
18 Commission focuses on the traditional statutory  
19 factors in the context of the business cycle it will  
20 find an industry that is injured by reason of the  
21 subject imports and threatened with further injury.

22 The facts on this front are compelling,  
23 which is why the Respondents are focusing so heavily  
24 on such issues as Stuebing exports, the Mexican  
25 facilities and the alleged quality deficiencies.

1           My goal here today is to describe the forest  
2 that Respondents have tried their best to obscure.  
3 The first point is simple. The imports of the subject  
4 merchandise have increased absolutely and relative to  
5 the U.S. consumption.

6           Even in the public record with all the  
7 bracketing, it's obvious that there have been an  
8 increase in imports and an increase in market share  
9 and that the U.S. industry has lost market share so  
10 I'm not going to go into that in detail. We've  
11 covered that in our brief and will undoubtedly  
12 emphasize it more posthearing.

13           So much for the import volume forest, but  
14 what about the trees? I think there are two of them.  
15 First is what I'll refer to as the antitrust tree.  
16 Norwood's brief urged the Commission to apply  
17 selectively the antitrust concepts of horizontal  
18 merger analysis to this investigation to reach a  
19 finding that the subject merchandise and the domestic  
20 like product are poor substitutes.

21           These concepts cited by Norwood are used by  
22 the DOJ, Justice and the FTC to assess both product  
23 and geographical markets in the context of horizontal  
24 mergers. We are not dealing with merger analysis  
25 here. When considering product markets, the antitrust

1 authorities assess a much wider array of products than  
2 those considered in the Title VII world in which we  
3 are operating. The antitrust analysis advocated by  
4 Norwood is, simply put, ill suited to Title VII.

5 The staff report lays out the main factors  
6 that determine the degree of substitution between  
7 domestic and imported product in this investigation.  
8 They are relative prices, quality and conditions of  
9 sale.

10 The public record indicates that the lower  
11 priced subject merchandise displaced the domestic like  
12 product sold to the largest domestic producer of  
13 calendars over a period of two years and that Norwood  
14 ordered and used calendars from both sources until  
15 after the filing of the petition.

16 Regarding quality, the confidential Norwood  
17 information on staff report pages B-5 to D-8,  
18 including certain monthly data which Norwood now seeks  
19 to avow, may be useful annotation to the quality  
20 debate as it relates to substitutability. At any  
21 rate, the staff's prehearing report concludes that the  
22 elasticity of substitution between the two products is  
23 moderate, is reasonable.

24 Okay. The second tree on which Respondents  
25 pin their hopes is non-subject imports. Norwood

1 argues that the volume and market share losses  
2 experienced by the domestic industry are at the  
3 expense of non-subject imports that have not yet  
4 occurred.

5 Now, think about that. In Bratsk, as even  
6 Respondents note, the non-subject imports were already  
7 in the market, and Respondents acknowledge that that's  
8 not the case here. The comparison with Bratsk is thus  
9 not appropriate.

10 Let's look at the issue another way. If it  
11 had taken Norwood a year longer to locate a fairly  
12 trading foreign supplier who was not yet in the  
13 market, Stuebing would have experienced greater U.S.  
14 sales, greater market share, greater profits than it  
15 actually did with Nishiyama's dumping in the market.

16 This shows that the benefit of operating  
17 without dumped product goes to Stuebing, not to the  
18 non-subject imports that do not yet exist. It follows  
19 then that the costs of dumping are also borne by the  
20 U.S. industry and not by phantom imports.

21 Respondents also argue that the existence of  
22 non-subject imports from Mexico precludes a finding  
23 that the volume of subject imports has been  
24 significant. To this I have a four letter answer.

25 Artists Canvas From China.

1                   There the Commission found that the  
2                   Petitioner's move to Mexico was in reaction to the  
3                   subject imports. That is definitely the case here  
4                   even more so. And, as with Artists Canvas, the  
5                   Petitioner continues to produce in the United States.

6                   Now on to Point 2. Price underselling by  
7                   the subject merchandise has depressed prices and  
8                   prevented Stuebing from raising prices to other  
9                   customers even though costs have increased.  
10                  Information on the significant level of underselling  
11                  is laid out in the staff report in our brief. The  
12                  margins are very large, and Mr. Blumberg has already  
13                  described how prices to Norwood were depressed.

14                  I will summarize the record in more detail  
15                  that the portions of that record that confirm that  
16                  Stuebing's prices were suppressed by subject imports.  
17                  First, Stuebing has experienced increasing cost of  
18                  goods sold during the period of investigation.

19                  In addition to the questionnaire data, the  
20                  Commission should consult Mr. Blumberg's June 6  
21                  declaration, especially Exhibit 22. Everybody knows  
22                  that steel prices have been rising. This is not a  
23                  novel factor.

24                  You know, Stuebing has also been plagued at  
25                  this time by falling domestic sales volumes which

1 would, all things being equal, spread fixed  
2 manufacturing costs over a smaller revenue base.  
3 Stuebing has not raised slide prices to any of its  
4 major customers since 2003. Supporting information is  
5 also in the June 6 declaration.

6 Third, and this is actually also important,  
7 Petitioner's data on cogs expressed as a share of net  
8 sales has been rising, and that's an indication that  
9 its gross margin is being compressed.

10 Norwood argues that there's no correlation  
11 between imports and domestic prices. First, Norwood  
12 presents data on pages 49 and 50 purporting to show  
13 that domestic prices were rising while subject imports  
14 were occurring. This comparison is simply not valid  
15 for reasons that we will have to explain in a  
16 confidential submission.

17 Second, Norwood argues on the basis of unit  
18 value comparisons that raw material and total cost of  
19 goods sold declined. Both the staff report at page  
20 VI-2 and Norwood's brief at page 49 acknowledge that  
21 changes in product mix distort period to period  
22 comparisons of metal calendar slide pricing data, so  
23 this unit value analysis that Norwood puts forth  
24 should be seen in this light.

25 In short, as with import volume,

1 Respondents' arguments are not compelling. The record  
2 supports findings of price depression and price  
3 suppression by the subject imports.

4 Point 3. The subject imports have had a  
5 material adverse impact on the domestic industry  
6 producing metal calendar slides. The data in the  
7 verified record are all there. Commercial shipments  
8 declined. Gross profits and operating income and net  
9 income all declined absolutely as a share of sales.  
10 Capacity fell, yet capacity utilization remains low.  
11 Inventories rose. Market share and return on  
12 investment fell.

13 It is worth emphasizing again that these  
14 adverse trends occurred while domestic demand was  
15 healthy. In the face of the link between rising  
16 imports and these adverse trends, Norwood argues that  
17 the domestic industry is rationalized and healthy.  
18 The basis for this argument is a per unit analysis  
19 that assumes away any impact of the subject imports by  
20 instead focusing on the profitability of the remaining  
21 sales.

22 Come on. It's obvious that losing all your  
23 business to your largest customer is going to have a  
24 material impact on your financial operations.  
25 Respondents' efforts to assume away the impact of

1 subject merchandise are, in fact, dead wood, extremely  
2 light and full of holes. Respondents make much of  
3 Stuebing's exports and their impact on profitability.  
4 Stuebing's slides do fetch lower prices in some export  
5 markets than do its U.S. sales and exports did  
6 increase in 2003 and 2004, but this export expansion  
7 was pursued in part to alleviate the adverse affects  
8 of declining domestic sales.

9 Export gross profits were also influenced by  
10 the necessity to discount inventory that had been  
11 produced for Norwood on the basis of a blanket order.  
12 Thus even the export profits had been influenced by  
13 the subject merchandise. The Commission has dealt  
14 with export industries before.

15 I will point you to Magnesia Metal from  
16 China and Russia and also to D-RAMS and D-RAM modules  
17 from Korea and the Commission has come to the  
18 conclusion that any injury in these export markets  
19 does not sever the causal link between injury caused  
20 by imports in the domestic market.

21 Respondent also asserts that the reduction  
22 in domestic capacity that occurred when Stuebing moved  
23 some machinery to Mexico was compelled by factors  
24 other than imports. Mr. Blumberg has spoken to this  
25 point and the information on that is on the record, so

1 I'm not going to go into it.

2 The final point of the Respondent's impact  
3 analysis is that the domestic industry is now healthy  
4 due to the restructuring and is not materially  
5 injured. I just would say look at the industry in  
6 2002, look at it in 2005 and 2006. My final point  
7 today is that the record also supports an affirmative  
8 determination on threat.

9 An important economic comparison for  
10 assessing threat is to compare excess capacity of the  
11 producers in the subject country with the size of the  
12 U.S. market not currently heard by the domestic  
13 industry. It is also useful to consider whether the  
14 foreign producer can produce at high capacity  
15 utilization rates and the foreign producer's business  
16 model.

17 Does the foreign producer seek to maximize  
18 output and hold high inventories or does it follow  
19 another business model? Indicators of the motives of  
20 the foreign producer as they relate to the U.S. market  
21 are another important consideration. Proprietary  
22 information provides useful insights into the mindset  
23 of Nishiyama prior to the filing of the petition.

24 In addition Nishiyama's home market  
25 shipments declined from 2002 to 2005 which provided

1 the means and the motive for Nishiyama to expand into  
2 the U.S. market. This suggests another telling  
3 indicator of threat for the Commission to consider.  
4 Exports to the United States is a percentage of  
5 Nishiyama's total shipments over time.

6 The staff report notes that Nishiyama's home  
7 market shipments are expected to reign at the 2005  
8 level going forward. This opinion should be evaluated  
9 in light of long-term trends in home market shipments  
10 and interim data. A continued shift in Japan away  
11 from metal calendar slides would free up capacity  
12 increasing the pressure on Nishiyama to increase  
13 shipments to the U.S. market.

14 In closing I would like to take one more  
15 crack at the forest. Forget about export average unit  
16 values, the shift in production facilities to Mexico,  
17 the convenient timing of the flurry of Norwood's  
18 quality issues and focus on one question. Would  
19 Stuebing have been better off if it had continued to  
20 make sales to the largest domestic consumer of metal  
21 calendar slides instead of losing those sales to  
22 Nishiyama's dumped slides?

23 Thank you for your attention.

24 MR. GOLDBERG: Thank you, Andrew. Before  
25 closing on our presentations I just also wanted to

1 introduce two more people on the panel today. We have  
2 Allan Gavronsky, who is the President of Stuebing, and  
3 also Pam Ramp, who is involved in the sales and  
4 administrative matters, both of which have been with  
5 either Stuebing or predecessors that were merged into  
6 Stuebing over the years.

7 I want to thank them for their attendance.  
8 That was the sum and substance of our prepared remarks  
9 and everybody on the panel is available to answer any  
10 questions that we can do so. Thank you.

11 CHAIRMAN PEARSON: Thank you for your  
12 presentation. We appreciate the distances that some  
13 of you in particular have traveled to get here. With  
14 that we'll open the questioning this morning with  
15 Commissioner Okun.

16 COMMISSIONER OKUN: Thank you, Mr. Chairman.

17 Let me join the Chairman in welcoming all of  
18 you here this morning to the Commission. It's  
19 certainly helpful to have company officials here to  
20 testify and tell us more about their business, so very  
21 much appreciate the time that you've taken to be here.

22 Mr. Blumberg, let me start with you. When I  
23 walk into one of my favorite stores up on their wall  
24 is this big poster and it in this case happens to be a  
25 jewelry store, but they have a picture of a diamond

1 ring and the ring is set backwards, upside down, and  
2 underneath there's a big thing it says the customer is  
3 always right.

4 When I read this record and look at the  
5 exchange between those it strikes me that, again, some  
6 of the context of this is that you were telling  
7 Norwood that a lot of things they were saying just  
8 weren't reasonable, it was the fault of their people  
9 or their technicians, and I guess my question to you  
10 is why shouldn't I take that as not that they were  
11 speaking low-priced Japanese imports and would talk  
12 about what the record says there, but that they were  
13 being very reasonable to seek an alternative supplier  
14 because they thought you were not responsive enough?

15 I would point in particular, Mr. Gavronsky,  
16 you might want to weigh in here, too, because one of  
17 the things in particular that has troubled me is  
18 Exhibit No. 5 which is the letter from you, Mr.  
19 Gavronsky, to Paul Smyth dated September 9, 2003,  
20 where you go through the litany of their complaints in  
21 your response to them.

22 So if I could ask both of you to respond to  
23 that? It relates to what's the cause of the switch  
24 here from Norwood to a Japanese supplier.

25 MR. BLUMBERG: Thank you. Commissioner

1 Okun, may I begin?

2 (Nonverbal response.)

3 MR. BLUMBERG: Okay. My late father used to  
4 have a saying that the customer is nearly always right  
5 and yes, there were occasionally issues where Norwood  
6 would complain that they were achieving unsatisfactory  
7 production. Now, what I want to say is that the first  
8 point is that whenever they did have a complaint we  
9 responded I believe in a completely professional and  
10 timely manner.

11 If there was an issue with slides we would  
12 (a) admit it and offer to replace the slides and  
13 replace the slides. Very often the issue as to the  
14 cause of their problems was unclear and that is why we  
15 at our own expense would send our chief technical  
16 person, Bill Piernan, to visit their plant so that he  
17 could establish the cause of those problems.

18 Occasionally the cause of those problems was  
19 our slides. Very often however the cause of the  
20 complaints as can be verified from looking at previous  
21 evidence, the complaints arose from the fact that  
22 there were maladjustments in their machines, machines  
23 were worn and that type of issue, but whatever the  
24 issue was we were there to deal with it.

25 I would also, Commissioner Okun, like to

1 make the point strongly that Norwood obviously  
2 attempts to create the impression that our slides were  
3 so bad, but if that was true one would have expected a  
4 thick file of complaints over many years, perhaps some  
5 warnings from them that unless our quality improved  
6 they would switch.

7           There was never any such warning and the  
8 volume of complaints I can assure you, Commissioner,  
9 was relatively small. What happened was that there  
10 was an increased amount of complaints and an  
11 overemphasis about these complaints at the time that  
12 they switched their slides.

13           COMMISSIONER OKUN: Mr. Gavronsky, I have a  
14 few follow-up questions, but did you want to add  
15 anything to that? If you can go ahead and pull up and  
16 use your microphone, please?

17           MR. GAVRONSKY: Commissioner, all I can say  
18 is that I responded honestly. If we were at fault I  
19 would look into and as I explained I would take care  
20 of everything that it would take to secure their  
21 business. A lot of those problems were put to me like  
22 a week before with Paul Smyth's letter.

23           I had been there previously. The packaging  
24 many, many years ago was in wooden boxes that were too  
25 heavy for them to handle. We responded with cardboard

1 boxes. I particularly took over Stuebing in  
2 2002/2003. Prior to that I was with a company that  
3 merged with Stuebing, so I don't know what actually  
4 happened prior to that, but when I got involved they  
5 had problems.

6 As soon as a problem arose I sent someone  
7 out there to go investigate to see what we could do to  
8 help them. We had a dedicated machinist and tool  
9 maker always trying to make new ways of trying to help  
10 them in their production always. Dedicated two people  
11 to try and solve their problems. I mean, we were on  
12 it constantly.

13 Other than that I wasn't aware of all these  
14 problems. I wasn't aware until that letter that he  
15 wanted to switch.

16 COMMISSIONER OKUN: Okay. Obviously a  
17 number of the exhibits are still classified. For  
18 post-hearing, Mr. Goldberg, I would ask you to go  
19 through and as to your clients respond in particular  
20 to the information presented in the Norwood prehearing  
21 brief at pages 18 through 25 where they go through  
22 what they believe the history and their version of the  
23 events that you were on notice that they had problems  
24 and respond to those because, again, that really  
25 relates to that 2000, 2001, 2002, 2003 period.

1                   Mr. Blumberg, in your testimony you  
2 concentrated a lot on the period in 2004 after in fact  
3 your company had switched to making integral eyelet.  
4 I mean, so making something different.

5                   Again, I'm not really focused on are they  
6 substitutable and we'll obviously talk about that, but  
7 you did start making a different product, one that  
8 they in fact were able to purchase from the Japanese,  
9 so I want to make sure that there's distinction  
10 between the two periods, the before you get the letter  
11 in 2003 and then the 2004 period where you're trying a  
12 different product or a different type of the product,  
13 to answer those.

14                   MR. GOLDBERG: Thank you. We will put that  
15 in the submission. Let me just offer one observation.  
16 I mean, it's a situation where for years the U.S.  
17 market was these plastic attached slides and I'd  
18 invite the Commission to think about if you're  
19 actually putting up a calendar what's easier?

20                   You have a clear hole from the plastic  
21 eyelet, you have plenty of room to hang it. If you  
22 have to do an interval eyelet it's going to make it  
23 more difficult, but that said --

24                   COMMISSIONER OKUN: Actually, on that, Mr.  
25 Goldberg, again, it goes to a lot of this which is I

1 may be the ultimate customer, but then that should  
2 affect Norwood, what they're selling. I mean,  
3 obviously if that's not what the customer wants you  
4 would think they wouldn't --

5 MR. GOLDBERG: No, no. I'm getting to that.  
6 I'm getting to that.

7 COMMISSIONER OKUN: -- be buying. I don't  
8 think we should be judging that they told us they  
9 think this works better for them.

10 MR. GOLDBERG: That's fine. Stuebing said  
11 that's fine. That's what you want, that's what we'll  
12 give you and that's why we have the slides and we  
13 disagree with the Respondent's attempt to keep going  
14 back to plastic versus nonplastic. If Stuebing had  
15 said we don't agree with you and that's it and then  
16 filed an anti-dumping case the record would be very  
17 different.

18 I'm just trying to put in perspective why  
19 they had that debate. The debate when you see Mr.  
20 Gavronsky saying we think you should with plastic was  
21 in the consumer's interest that doesn't mean that the  
22 leading calendar maker can't dictate what consumers  
23 will get. It's cheaper and easier to make the  
24 integral eyelet slide.

25 Everybody agrees with that. When the

1 leading producer wants to tell the public what's  
2 cheaper, what they should be doing they have market  
3 power to do that, but the point is that as of December  
4 when Mr. Blumberg went out there in 2003 and it became  
5 clear to him they really wanted to go with this  
6 nonplastic alternative Stuebing said fine, that's what  
7 we'll give you and the debate ended at that point.

8 COMMISSIONER OKUN: Mr. Blumberg, I also  
9 wanted to ask you just in terms of quality of this  
10 type of product do you think it is important for your  
11 customer to evaluate productivity? In other words not  
12 just what the end product is, but how well their  
13 machines are running? Would that be one measure of  
14 how they would judge the quality of your product?

15 MR. GOLDBERG: I'm sorry. Was that --

16 COMMISSIONER OKUN: Let Mr. Blumberg answer  
17 and then you can fill in, Mr. Goldberg.

18 MR. GOLDBERG: Sure. No. I wasn't sure who  
19 you were asking. That's fine.

20 Go ahead.

21 MR. BLUMBERG: Commissioner Okun, yes,  
22 certainly the customer does have a right to consider  
23 the productivity of the product. As the Commissioner  
24 herself said you made the remark that the customer is  
25 always right. Well, two-thirds of the American public

1 as far as the end product is concerned prefer the  
2 slides with the plastic eyelet.

3           However, if our customer, Norwood, felt that  
4 they got better productivity with an integral hanger  
5 slide I think that they certainly had the right to  
6 make that decision. However, they never communicated  
7 that choice or that preference to us.

8           I had to elicit that by going there myself  
9 and requesting to see then the B slides and to see  
10 them running and once it became clear to me that they  
11 preferred the integral hanger type slide from a  
12 productivity point of view I said to them if that's  
13 what you want, that's what we'll give you and we went  
14 ahead at considerable travel and expense to give them  
15 what they wanted and we supplied over I believe two  
16 million of that type of slide to them.

17           COMMISSIONER OKUN: Appreciate those  
18 comments.

19           My red light has come on, so I'll have a  
20 chance to come back, Mr. Goldberg.

21           MR. GOLDBERG: May I make a comment or do I  
22 need to ask the microphone?

23           COMMISSIONER OKUN: Is it quick?

24           Mr. Chairman, can he make a quick?

25           Is it a just a short follow-up?

1 MR. GOLDBERG: It's just a very short  
2 follow-up on this issue.

3 COMMISSIONER OKUN: Okay.

4 CHAIRMAN PEARSON: Go ahead.

5 MR. GOLDBERG: I mean, to me this is kind of  
6 like airlines used to have all the service in the  
7 world. Southwest, others came along and we could all  
8 debate whether Southwest is as nice as it used to be,  
9 but I'll tell you their productivity is way up in the  
10 way they turn around those planes, so they changed the  
11 market and that's fine.

12 Once Stuebing understood that Norwood was  
13 setting out to change the market they didn't walk  
14 away. They said fine, we'll change the market with  
15 you and we'll do a better job than the imports and  
16 that's what happened.

17 CHAIRMAN PEARSON: Commissioner Lane?

18 COMMISSIONER LANE: Good morning, and  
19 welcome to the panel. I'd like to start perhaps with  
20 Mr. Goldberg and maybe Mr. Blumberg. There is a  
21 discussion on page 64 of the staff report regarding  
22 SG&A expenses in 2005. Much of that discussion is  
23 bracketed as BPI. However, staff suggests that while  
24 it has not adjusted 2005 SG&A expense such an  
25 adjustment could be considered.

1           To the extent you can today please give me  
2 your response to the comments about the SG&A and  
3 explain why we should not adjust the reported SG&A.  
4 You can explain this in your post-hearing if  
5 necessary.

6           MR. GOLDBERG: It's a hard question, so I'm  
7 going to ask Andrew to deal with it, but seriously it  
8 really is something that we've split up here and to  
9 the extent he can deal with that without revealing  
10 confidential information I'll ask him to do so. Thank  
11 you, Commissioner.

12           MR. SZAMOSSZEGI: Andrew Szamosszegi. I  
13 recall that information appearing in the prehearing  
14 report. My understanding is that since verification  
15 there have been some changes in the data and I believe  
16 that issue has been taken into account, but I'm going  
17 to have to go back and check the confidential record.  
18 I believe it has been taken into account.

19           COMMISSIONER LANE: So you think that  
20 there's been a revision to those numbers that were  
21 given in page 64 of the staff report?

22           MR. SZAMOSSZEGI: Yes.

23           COMMISSIONER LANE: So the number for 2005  
24 is lower than it is in that report?

25           MR. SZAMOSSZEGI: Yes.

1                   COMMISSIONER LANE: Okay. I'll take a look  
2 at that and I may have another question --

3                   MR. SZAMOSSZEGI: It may not -- yeah. I  
4 don't think it has been inserted into the staff report  
5 yet.

6                   COMMISSIONER LANE: Okay. Thank you. On  
7 page 10 of Norwood's prehearing brief you assert that  
8 there are subject imports and that domestic like  
9 product are best suited for use with different kinds  
10 of metal calendar slide type binding machines.

11 However, on page 14 of Mr. Blumberg's testimony he  
12 asserts that metal calendar slides are used in  
13 identical binding or tinning machines.

14                   Please clarify this issue for me. Are metal  
15 calendar slides produced by Nishiyama and/or Stuebing  
16 better suited for different binding machines, and why  
17 do the parties seem to disagree on this issue?

18                   MR. GOLDBERG: May I have Mr. Blumberg, who  
19 is an expert?

20                   COMMISSIONER LANE: Yes.

21                   MR. GOLDBERG: Thank you.

22                   MR. BLUMBERG: Commissioner Lane, the  
23 situation is that I think I believe that I'm correct  
24 in saying that Stuebing slides can be and are used on  
25 both American Stuebing tinning machines and Japanese

1 Nishiyama machines. I know that Nishiyama's slides  
2 can obviously be used on their machines and I believe  
3 that within certain parameters they can be used on the  
4 Stuebing machines.

5           It may be for example that if there's a  
6 particularly long slide made of hard metal that some  
7 adjustments may need to be made to the pneumatic  
8 machines of Stuebing, but not necessarily cam-driven  
9 machines. So I'm saying that Stuebing slides are  
10 universally useable just to sum up on both our  
11 machines and Nishiyama's and Nishiyama's slides can be  
12 used fairly easily on most of Stuebing's machines.

13           In some cases some minor adjustments may  
14 have to be made on our machines where long slides of  
15 Nishiyama's are used.

16           MR. GOLDBERG: If I may follow-up,  
17 Commissioner Lane?

18           COMMISSIONER LANE: Yes.

19           MR. GOLDBERG: Both Ms. Lo and Mr. Signoret  
20 came to visit Stuebing in Cincinnati as did  
21 Commissioner, now Chairman, Pearson, and Stuebing went  
22 to some trouble to get a tinning machine. I don't  
23 even know if it was a Japanese or a U.S. tinning  
24 machine. It's a Japanese machine.

25           Both times there were demonstrations of

1 three types of slides: Plastic slides, the Stuebing  
2 integral eyelet slide and what we were led to believe  
3 was the Japanese slide. It certainly had all the  
4 characteristics they say, you know, because it was  
5 different it had the rounded edge. That's the only  
6 thing I could tell.

7 They were done interchangeably, and calendar  
8 paper was in, and they were witnesses and there was no  
9 stopping of the machine except to reload the slides.  
10 So I think those facts bear out that these are very  
11 interchangeable products. Thank you.

12 COMMISSIONER LANE: Okay. Thank you. You  
13 claim that your firm was forced to shift a portion of  
14 its calendar slide production to Mexico on a temporary  
15 basis due to subject import competition presumably  
16 because production costs are lower in Mexico.

17 I'm very interested in learning just how  
18 much lower production costs are for your plant in  
19 Mexico, and more specifically how your average unit  
20 values differ for your metal calendar slides produced  
21 in Mexico but shipped throughout the United States as  
22 compared to the average unit values for your metal  
23 calendar slides produced entirely in your Ohio  
24 facility?

25 Why wouldn't Stuebing want to realize this

1 cost savings on all shipments of calendar slides on a  
2 permanent basis?

3 MR. GOLDBERG: Thank you, Commissioner. Let  
4 me ask Mr. Blumberg to address the last question. I  
5 think the prior questions there is a confidential  
6 footnote in the brief about the lower wages, but we  
7 will get all the information you've asked in our post-  
8 hearing submission. Mr. Blumberg can certainly answer  
9 I believe the last part of your question.

10 COMMISSIONER LANE: Okay. Thank you.

11 Mr. Blumberg?

12 MR. BLUMBERG: Commissioner Lane, the point  
13 that I want to make is that we would very much like if  
14 we get the protection that we seek to bring the  
15 machines which were sent on a temporary basis to  
16 Mexico back to Cincinnati. I also want to make the  
17 point that even though the production costs in Mexico  
18 are sharply lower than the costs in the United States.

19 Only 14 percent by dollar value of the  
20 product that's -- only 14 percent is imported from the  
21 Mexican operation. The Cincinnati operation continues  
22 to make the balance. In other words 86 percent by  
23 dollar value of the slides for the domestic market.

24 Well, the reason as to why we're staying in  
25 the U.S. is that we've been there for 100 years, our

1 customers know us as a trusted and reliable American  
2 supplier and we'd like to keep on there.

3 COMMISSIONER LANE: Okay. As a follow-up to  
4 this question I would also like for you to describe  
5 the economics of your plan to bring back the Mexican  
6 production to Ohio if we enter an order when the  
7 Commerce's final anti-dumping margin was three  
8 percent.

9 MR. BLUMBERG: I'm not quite sure exactly  
10 what question I'm required to answer.

11 COMMISSIONER LANE: I want you to describe  
12 for me your economic evaluation of how it will be  
13 profitable for you to bring back your Mexican  
14 production to the U.S. if an order is entered in light  
15 of the fact that Commerce's anti-dumping margin is  
16 three percent.

17 MR. BLUMBERG: Right. Well, I believe that  
18 although that margin is much lower than what we would  
19 have liked, it will assist us to survive by setting a  
20 floor to the dumping that is going on. At least we  
21 know that it won't be lower than the current price  
22 that the Japanese exporter is charging plus three  
23 percent and it will stop the bloodletting.

24 And I believe that will allow us to increase  
25 our production in Cincinnati, although I expect that

1 it will make sense to retain some of the machines in  
2 Mexico to manufacture the lower cost slides that are  
3 used in Mexico or if we come up against competition  
4 such as this in the United States, if it will help us  
5 to compete against low cost imports.

6 COMMISSIONER LANE: Okay. As part of your  
7 post-hearing I'd also like for you to describe the  
8 differences, size, personnel and operations, between  
9 your Stuebing operation and your Varilla operation.

10 MR. BLUMBERG: Right. In terms of size do  
11 you mean the amount of staff as well as the size of  
12 the premises?

13 COMMISSIONER LANE: Yes, and the number of  
14 personnel and the size of your operation. Yes.

15 MR. BLUMBERG: Right.

16 COMMISSIONER LANE: It would have to be done  
17 in post-hearing because I'm running out of time.

18 MR. BLUMBERG: Okay.

19 COMMISSIONER LANE: Thank you.

20 MR. GOLDBERG: We'll be happy to do so.

21 Thank you, Commissioner.

22 COMMISSIONER LANE: Okay. Thank you.

23 CHAIRMAN PEARSON: Well, I have to admit --  
24 my turn for questions -- I find myself sitting here  
25 much more so than in most of our hearings feeling like

1 I'm in Family Court and we have this nasty break up in  
2 front of us and we're trying to figure out whose fault  
3 it is and whether there should be alimony.

4 The only good thing I can see here is that  
5 we don't have to decide who gets the kids. Sorry.  
6 Maybe I'm not so good at humor as Chair.

7 COMMISSIONER KOPLAN: I thought that was  
8 terrific.

9 CHAIRMAN PEARSON: Thank you.

10 Following up on Commissioner Lane's  
11 questioning, Mr. Blumberg, do you expect to get  
12 Norwood back as a customer if an anti-dumping duty  
13 order is put in place? If that's business  
14 confidential you wouldn't need to respond here in  
15 public, but I'd appreciate it either now or in the  
16 post-hearing.

17 MR. BLUMBERG: Mr. Chairman, as we sit here  
18 today it seems a little remote to expect to get  
19 Norwood back immediately. However, I would like to  
20 remind the Chairman that Norwood and their  
21 predecessors were our customers for decades and I  
22 believe that once the heat of the battle is over that  
23 with the correct approach that may be entirely  
24 possible.

25 It's certainly something that I would like

1 to aim to do over a period of time.

2 CHAIRMAN PEARSON: Okay. I have some  
3 experience before coming to the Commission in  
4 situations where customer relations were part of what  
5 I did, and I would have to comment that it's a unique  
6 approach to customer relations to bring an anti-  
7 dumping case I guess to the largest potential  
8 customer, but just an observation.

9 MR. BLUMBERG: Yes. That's a fair comment,  
10 Mr. Chairman, but that was done not as a customer  
11 relationship exercise but as a matter of survival.

12 CHAIRMAN PEARSON: Mr. Goldberg?

13 MR. GOLDBERG: Yeah. Thank you. I would  
14 just put in perspective and I appreciate all your  
15 remarks if this is a family fight there were new  
16 members of the family. I mean, we don't have Mr.  
17 Smyth here. He wasn't here the last time. He was  
18 terminated, or retired, or whatever the case may be  
19 before the preliminary, but he was a new factor into  
20 Norwood.

21 He was there to help not only productivity  
22 but pricing. I mean, we have the evidence. It's  
23 public. They held the prices on their calendars for  
24 at least two years. Norwood was on the block. They  
25 were trying to sell it. Everything was about cost

1 savings. Part of that is productivity, part of that  
2 is also cost.

3 Again, I would invite the Commissioners to  
4 take a very sharp eye to the allegations. It wasn't  
5 about price in the fall of 2002. It's just not  
6 correct. We'll put all of that specific detail,  
7 damning detail, into our brief. It's already in the  
8 exhibit before you.

9 Anti-dumping cases are filed all the time  
10 and it's because you have no choice. If you put  
11 yourself back in the mindset of Stuebing 2003/2004  
12 their largest customer is gone, it is pricing, there's  
13 no reason to believe Nishiyama will not continue.

14 Once the case is done, the hand is in the  
15 cookie jar they come in and say we had no intention,  
16 we were just a mom and pop back in Japan, they knocked  
17 on our door, but that is belied by the evidence before  
18 the Commission in 2002.

19 In 2004 Nishiyama was talking about  
20 basically getting Stuebing to stop producing slides in  
21 the U.S. and instead become the distributor of  
22 Nishiyama. So we know that the Commission will look  
23 at the facts. It's a situation where a company wanted  
24 to get a competitive edge, went to a lower priced  
25 product and business is business.

1           I mean, that's fine, but once there is the  
2 protection -- whether it's three percent, seven  
3 percent, whatever the margin is the point is it stops  
4 a free fall with no protection in place for Nishiyama  
5 to continue to go lower and go after other customers  
6 because ultimately as happened in airlines there will  
7 be more Southwest Airlines, more calendar tinnerns  
8 deciding they're going to go with the cheaper and the  
9 more efficient type of slide even if that's not  
10 ideally what's best for their customers and that is  
11 the threat that Stuebing has faced since this started  
12 and continues to face and that's why they're here  
13 today. Thank you.

14           CHAIRMAN PEARSON: Okay. For purposes of  
15 the post-hearing could you describe for us the  
16 economics of victory in this case for Stuebing? What  
17 I'm interested in there would be some elements of  
18 revenue and some elements of cost that might come from  
19 this case.

20           You might be eligible for some period of  
21 months for monies from the continuing dumping and  
22 Subsidy Offset Act and that could be a motivation for  
23 bringing the case potentially, but we know what the  
24 rate is that Commerce has set and you would have some  
25 idea of the volume of imports that Norwood is

1       undertaking, which I think that's confidential so I  
2       won't mention it here, but that would be an element of  
3       revenue.

4                    You have another potential element of  
5       revenue if Norwood can be regained as a customer, but  
6       in the short-term we understand that may not be  
7       likely. Then there are elements of cost including the  
8       retaining of counsel and consultants. So I'd just be  
9       interested in trying to understand better the economic  
10      motivations for Stuebing in bringing this dumping  
11      case.

12                   If you want to say something about it now in  
13      public that's fine.

14                   MR. GOLDBERG: Well, we'll be happy to do  
15      that, but we also have to consider from the other  
16      aspect if we don't have an order, we don't have the  
17      right of administrative review I think Stuebing has  
18      been very clear then it's over. So to them it's, and  
19      we'll put this in the post-hearing submission, that's  
20      the analysis.

21                   It's not okay, we can stay or we can't stay.  
22      I mean, I'll let Mr. Blumberg speak to that point.

23                   MR. BLUMBERG: Just very briefly, Mr.  
24      Chairman, I'm not concerned at all about any possible  
25      refund of whatever anti-dumping duty may be imposed.

1 Of course as Mr. Goldberg alluded to we didn't know  
2 until yesterday what the actual determination was  
3 going to be, but come back to motive certainly one of  
4 the primary motives was to prevent the injury from  
5 going further.

6 Once a finding is made if that's what  
7 happens, there is in fact unfair pricing involved,  
8 then as I mentioned earlier that would set a floor and  
9 prevent us hopefully from losing further market share  
10 to unfairly priced goods.

11 CHAIRMAN PEARSON: Okay. I appreciate that.  
12 Mr. Blumberg, would a decision to move machines back  
13 from Mexico to Cincinnati be contingent on regaining  
14 Norwood as a customer and would there be a reason to  
15 move those machines back unless Norwood comes on as a  
16 customer?

17 MR. BLUMBERG: It's a difficult one to  
18 answer, Mr. Chairman, because we are already able to  
19 cope with our existing demand with the machines that  
20 are there, but if for some reason or if by some means  
21 we were able to grow our market share even if we don't  
22 get Norwood back as a customer of course we would like  
23 to bring those machines back.

24 There may be exports to other countries or  
25 the market may grow in the United States.

1                   CHAIRMAN PEARSON: Okay. Well, let me shift  
2 gears a bit. In your testimony you had mentioned that  
3 some three to four percent of slides shipped to  
4 Norwood had been rejected by that company and then you  
5 often were able to take them back and sell them to  
6 other customers. I'm wanting to understand the  
7 economic significance of a three to four percent  
8 rejection rate.

9                   I mean, relative to the businesses with  
10 which I'm more familiar that's quite high, but I  
11 understand you were only getting rejections from  
12 Norwood, you are not getting rejections from other  
13 customers or were there some other customers --

14                   MR. BLUMBERG: I'm sure there might have  
15 been some other customers, but other customers were  
16 less fussy. In this industry if I may say I think  
17 that a three to four percent rejection rate even from  
18 a fussy customer like Norwood is not bad. It's not an  
19 exact science the marrying of at high speeds a metal  
20 slide with paper of different substances, and  
21 thickness and different conditions.

22                   It's not an exact science. With whatever  
23 slides one uses one does get a certain amount of  
24 rejection.

25                   CHAIRMAN PEARSON: I'm running out of time,

1 but to follow-up briefly do you have any sense of  
2 whether Norwood was using some slides that they might  
3 have wished to send back, but they needed the slides  
4 at that moment and with additional labor manning the  
5 machines they were able to make the slides work? Did  
6 you have discussions with them on that issue?

7 MR. BLUMBERG: I can't recall, Commissioner.  
8 I don't deal with them on a day-to-day basis.

9 CHAIRMAN PEARSON: Okay. Because I'm not  
10 sure, but we may here this afternoon, there might be  
11 an allegation that the three to four percent figure  
12 actually is an underestimate of what they consider to  
13 be the quality shortcomings of the Stuebing slides, so  
14 if you have something to say on it later --

15 MR. BLUMBERG: Okay. No. I can't add  
16 anything to that.

17 CHAIRMAN PEARSON: Okay. My time has  
18 expired.

19 Vice Chairman Aranoff?

20 VICE CHAIRMAN ARANOFF: Thank you, Mr.  
21 Chairman.

22 I join my colleagues in welcoming the panel  
23 here this morning. We appreciate your traveling here  
24 to spend this time with us. Let me ask you, I don't  
25 want you to reveal confidential information, but can

1 you give me a sense precisely of how much money and  
2 how much time you invested in developing your Japanese  
3 specification slide?

4 MR. BLUMBERG: Vice Chairman Aranoff, I  
5 don't have the exact figures at my fingertips, but  
6 there was quite a substantial amount of money  
7 involved. We could get back to you with the exact  
8 amount. There is a record of it and I know that it  
9 took a lot of hard work over three months to do that.

10 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
11 the number. You can submit it in your post-hearing,  
12 but about three months you think. Given that you  
13 invested a good deal in developing this product do you  
14 currently have any customers either in the U.S. or  
15 elsewhere who are purchasing that specific product  
16 that you developed in response to the issues raised by  
17 Norwood?

18 MR. BLUMBERG: To the best of my knowledge  
19 there are no other customers in the United States that  
20 want that product, so we developed it specifically for  
21 Norwood.

22 VICE CHAIRMAN ARANOFF: Having obviously  
23 sunk the cost in that development and having  
24 discovered that Norwood nevertheless didn't want to  
25 purchase that product from you anymore did you give

1 consideration to trying to promote the product to  
2 other U.S. customers or export customers as a way to  
3 recoup the investment that you made --

4 MR. BLUMBERG: Yes. We believe strongly  
5 that the U.S. market, the entire rest of the U.S.  
6 market, prefers the slide with the plastic hanger  
7 because it has better features from an end customer  
8 point of view and the answer is for that reason, no.

9 VICE CHAIRMAN ARANOFF: Okay. Essentially  
10 what you're telling me is you did not take this  
11 product to your other U.S. customers and say to them  
12 hey, are you interested in trying this alternate  
13 product?

14 MR. BLUMBERG: Correct. We did not do that.

15 VICE CHAIRMAN ARANOFF: Okay.

16 MR. GOLDBERG: If I may, Vice Chairman. Nor  
17 would it make sense to do so because the competitor  
18 they're aware of does the same thing. The last thing  
19 they would want to do -- they don't have a plastic  
20 eyelet, it's a patent issue. So they'd have a patent  
21 problem if Nishiyama came in with a plastic one.

22 So the last thing they would want to do is  
23 educate their customers about something that this  
24 importer could then take away from them.

25 VICE CHAIRMAN ARANOFF: Okay. I appreciate

1 that answer. I'm not sure I got an answer from you on  
2 the other question. Are you selling an integral  
3 eyelet product to any of your non-U.S. customers?

4 MR. BLUMBERG: Yes, we are, but a different  
5 type of product to the one that we developed  
6 specifically for Norwood. There is a less expensive  
7 integral eyelet product that we have made for some  
8 time and which is supplied to some non-U.S. customers.

9 VICE CHAIRMAN ARANOFF: Okay. It's less  
10 expensive for what reason?

11 MR. BLUMBERG: Probably the most important  
12 reason is that it uses less material.

13 VICE CHAIRMAN ARANOFF: Thinner tin?

14 MR. BLUMBERG: It's a narrower slide.

15 VICE CHAIRMAN ARANOFF: It's actually  
16 narrower as in smaller or narrower as in thinner  
17 metal.

18 MR. BLUMBERG: Not thinner metal. The  
19 widths on the one long edge of the slide to the other  
20 long edge of the slide.

21 VICE CHAIRMAN ARANOFF: Okay.

22 MR. GOLDBERG: Maybe Mr. Gavronsky could  
23 address this, but my understanding is that some of the  
24 other countries like Mexico the competitors are often  
25 literally mom and pop slide calendar makers that like

1 little machines that they make like the single-press  
2 machines, and since I'm not the expert let me -- and  
3 that's the competition that these other slides are  
4 dealing with here. It's a different sort of a  
5 submarket.

6 If Mr. Gavronsky could address that?

7 MR. GAVRONSKY: Commissioner Aranoff, what  
8 you're faced upon in Mexico and in third-world  
9 countries are it's about the cheapest form of  
10 advertising people can give. Every pharmacy gives,  
11 every -- you know, like I suppose it used to be that  
12 way in the old days. Yes.

13 Some of them are on just cardboard backings,  
14 holes, and mom and pop people just get any scrap metal  
15 and just bend a *U* and they're trying to work their way  
16 up to the plastic slide that we have. It is the  
17 cheapest form of slide that we can mass produce under  
18 those circumstances that appeal to that market. It  
19 doesn't appeal to this market.

20 VICE CHAIRMAN ARANOFF: I appreciate that.  
21 In the record I know there is a record of a  
22 conversation that when Norwood first made clear to you  
23 that they wanted an integral eyelet slide there's one  
24 document I think in the record where there's some  
25 discussion about how integral eyelet slides are an

1 inferior product that's used in third-world countries.

2 When that happened was that a reference to  
3 this low end product?

4 MR. GAVRONSKY: Yes, because we were not  
5 producing the like type Japanese slide at that time.  
6 The integral eyelet was made for a third-world  
7 country. It wasn't accepted in the United States.

8 VICE CHAIRMAN ARANOFF: I just want to  
9 establish that you were not intending at that point to  
10 demean the product that you ultimately developed for  
11 Norwood.

12 MR. GAVRONSKY: No. No.

13 VICE CHAIRMAN ARANOFF: Okay. Can you tell  
14 me how do you set prices when you sell calendar slides  
15 to your other U.S. customers? What's the process?

16 MR. BLUMBERG: Commissioner, the process is  
17 one first of all of costing where one looks at one's  
18 input costs and makes sure that to the extent possible  
19 they are covered, overheads are covered and then a  
20 mark up is added.

21 However, the final pricing is an issue of  
22 what is accessible in the marketplace and whereas in  
23 the past we have been able to pass on regular,  
24 reasonable price increases we have not been able to do  
25 so for the last three years in the light of the

1 competition.

2 VICE CHAIRMAN ARANOFF: Have any of your  
3 customers said to you as you've negotiated prices with  
4 them hey, we understand that there's an alternative  
5 product out there so we're not going to pay you even  
6 though we know your costs are going up?

7 MR. BLUMBERG: Again, I think Pam might be  
8 in a better position to answer that. She deals with  
9 the customers on a daily basis. From my point of view  
10 we simply dare not raise our prices even though steel  
11 went up so much because of the threat of the cheap  
12 imports taking market share away from us.

13 VICE CHAIRMAN ARANOFF: Okay. Ms. Ramp, did  
14 you have anything to add to that?

15 MS. RAMP: No.

16 VICE CHAIRMAN ARANOFF: Have you ever had a  
17 customer in price negotiations say anything to you  
18 about the Japanese product? A U.S. customer other  
19 than Norwood.

20 MS. RAMP: No.

21 MR. GAVRONSKY: Maybe I can respond to that,  
22 Commissioner.

23 VICE CHAIRMAN ARANOFF: Mr. Gavronsky?

24 MR. GAVRONSKY: They haven't actually  
25 responded to the slide, they've responded in that for

1       them to compete with Norwood we would have to  
2       seriously look at the rock bottom prices.

3               VICE CHAIRMAN ARANOFF: Okay. So customers  
4       have actually said to you in order to compete with  
5       Norwood, and when they say that --

6               MR. GAVRONSKY: They're talking about the  
7       whole calendar, but --

8               VICE CHAIRMAN ARANOFF: Right. I mean,  
9       Norwood is the market leader, so they would say that  
10      to you I assume kind of in any -- I mean, is that  
11      different from what they were saying to you before  
12      Norwood started purchasing Japanese slides?

13              MR. GAVRONSKY: It wasn't brought up that  
14      way, but Norwood seems to be acquiring more and more  
15      of the market as of recent and it's a concern to them.  
16      I guess when the customer loses a job through a  
17      distributorship or whatever it is they go to the  
18      distributor and say why didn't I get this order this  
19      year?

20              They ultimately find out that it went to  
21      Norwood and the answer they get is that your cost is  
22      too high.

23              VICE CHAIRMAN ARANOFF: Okay. I still have  
24      some time left. Let me ask you. You testified, Mr.  
25      Blumberg, that in June 2004 Norwood asked Stuebing to

1 re-tender on a prior request and you said why would  
2 they do that if they didn't want a lower price? So I  
3 just wanted to go back and clarify with you the  
4 sequence of events here.

5           There had already been a request for  
6 quotations for 2004 that you had made and they were  
7 asking you to requote for exactly the same thing?

8           MR. BLUMBERG: Yes. As I recall,  
9 Commissioner, in response to remarks by Norwood which  
10 we took as hints that we needed to lower our pricing,  
11 we initially revised our price by -- can I say the  
12 percentage? Okay.

13           We initially, if I remember correctly,  
14 decreased our prices based on what we guessed we were  
15 up against by 32 percent and subsequently we learned  
16 that price was still too high and we re-tendered in  
17 June I believe it was at a lower price which was equal  
18 to the prices that we had been told they were paying  
19 to Nishiyama.

20           MR. GOLDBERG: The first one was in March,  
21 Vice Chairwoman, and the second one was based on a  
22 conversation that Mr. Gavronsky directly had with Ms.  
23 Shelley Shoen, so I would ask Mr. Gavronsky to relate  
24 to the members of the Commission that June 2004  
25 conversation which resulted in the June 9 retender.

1                   VICE CHAIRMAN ARANOFF: Okay. Well, we can  
2                   -- I guess go ahead and answer. I don't want to take  
3                   up my colleagues' time.

4                   MR. GAVRONSKY: Commissioner Aranoff, there  
5                   was a conversation between Ms. Shoen and myself and  
6                   Ms. Shoen gave me the prices of Norwood and said  
7                   retender at --

8                   MR. GOLDBERG: Did you mean Nishiyama?

9                   MR. GAVRONSKY: I mean Nishiyama's prices.  
10                  She gave me the prices and told me to retender.

11                  VICE CHAIRMAN ARANOFF: Okay. I appreciate  
12                  that answer. Thank you, all, very much.

13                  Thank you, Mr. Chairman.

14                  CHAIRMAN PEARSON: Commissioner Hillman?

15                  COMMISSIONER HILLMAN: Thank you.

16                  I, too, would join my colleagues in  
17                  welcoming you all. We appreciate your taking the time  
18                  to travel to be with us and for our answering our  
19                  questions. Let me follow-up a little bit on this  
20                  issue of these re-tenders because I want to make sure  
21                  I understand the sequence and the result.

22                  The March 2004 tender is the one that you  
23                  were just describing, Mr. Blumberg, in which --

24                  MR. BLUMBERG: Correct.

25                  COMMISSIONER HILLMAN: -- you initially re-

1 re-tendered at a 32 percent reduction you said and  
2 then subsequently re-tendered at yet a lower price?

3 MR. BLUMBERG: That is correct.

4 COMMISSIONER HILLMAN: Okay. Then what  
5 happened? Did you get a contract with them and for  
6 the amount that you had thought you were going to get  
7 if you re-tendered? Again, if you need to put any of  
8 this into a post-hearing brief because it's  
9 confidential please do so.

10 MR. BLUMBERG: I'm happy to answer that  
11 question. Although I came away, I think we all did,  
12 with the same impression from our last meeting when we  
13 had demonstrated the 11,000 or 12,000 Japanese type  
14 slides running at Norwood with the firm belief that we  
15 were going to win back at least a good share of  
16 Norwood's business. It never happened.

17 There were many phone calls from Allan  
18 Gavronsky, from Pam Ramp and from myself. I in  
19 particular phoned Paul Smyth a number of times and the  
20 answer was always something like we haven't made a  
21 decision yet, we'll advise you later, call us back in  
22 two weeks. During that time Norwood continued to  
23 purchase slides from us including two million Japanese  
24 stake slides none of which they ever returned to us,  
25 but they never officially awarded any tender to us.

1                   COMMISSIONER HILLMAN: The slides that they  
2 purchased during this time period were purchased at  
3 the old price or at the re-tendered price?

4                   MR. BLUMBERG: I'm not sure. I'd have to  
5 defer to one of my colleagues.

6                   Can anyone help me there?

7                   MR. GOLDBERG: I think, Ms. Ramp, wasn't the  
8 32 percent discount applied to those custom orders in  
9 2004?

10                  MS. RAMP: Correct. The tender in March.

11                  COMMISSIONER HILLMAN: So in other words you  
12 re-tendered, you never got a response to the retender,  
13 but you nonetheless priced the product at the re-  
14 tendered price?

15                  MS. RAMP: At the March tender.

16                  MR. BLUMBERG: At the first, the earlier  
17 tendered price. Yes.

18                  MR. GOLDBERG: I would just say I think the  
19 orders would be the response, but if Madam  
20 Commissioner --

21                  COMMISSIONER HILLMAN: What I'm saying is in  
22 response to the initial retender there was no order  
23 coming in from Norwood for product?

24                  MR. GOLDBERG: My understanding of the  
25 timing and it's a little confusing is the blanket

1 orders back in 2003, they tried a price increase. I  
2 think that wasn't accepted, but the prices were say  
3 100 percent.

4 Then in March of 2004 Norwood had put out  
5 the bid to several companies according to Norwood one  
6 of which was Stuebing which, again, we think shows  
7 that there was quality, they wouldn't have asked, and  
8 Stuebing responded with the lower prices. You heard  
9 the 32 percent discount. My understanding and Ms.  
10 Ramp has confirmed that then the custom orders which  
11 continued through 2004 received the benefit of that  
12 depressed and lower pricing.

13 Then in June of 2004 they told specifically  
14 because it was guesswork before, but this time Ms.  
15 Shoen specifically told Mr. Gavronsky what the  
16 Nishiyama prices were and then invited them to  
17 retender, but at that point they did retender even  
18 further to meet the Japanese prices but did not go  
19 lower than the Japanese prices.

20 My understanding is that all of the sales in  
21 2004 then after March were based at that 32 percent  
22 discount.

23 COMMISSIONER HILLMAN: Okay. I'm sorry. A  
24 couple of follow-ups. The June 2000 retender I  
25 thought I heard from Mr. Blumberg was even a greater

1 discount than the --

2 MR. BLUMBERG: Correct.

3 COMMISSIONER HILLMAN: -- 32 percent. Is  
4 that correct?

5 MR. BLUMBERG: Yes.

6 COMMISSIONER HILLMAN: Okay. Then what came  
7 of that subsequent retender at below the 32 percent?  
8 Did you get a significant volume of --

9 MR. BLUMBERG: No. We continued as has been  
10 mentioned to supply against ad hoc orders that they  
11 placed, but they never officially awarded a tender, or  
12 contract, or placed a blanket order with us.

13 COMMISSIONER HILLMAN: Okay. All right.  
14 Are the products that are ordered subsequent to, I  
15 mean, in light of these custom orders that you're  
16 describing is it a different product than what would  
17 have been shipped under a blanket order? Is it  
18 physically a different product?

19 MR. BLUMBERG: Yes. It has some different  
20 specifications in that it matches the Japanese  
21 specification to all intense and purposes which means  
22 that it didn't have the plastic eyelet which was the  
23 type of slides that we supplied previously against  
24 blanket orders.

25 COMMISSIONER HILLMAN: Okay.

1           MR. GOLDBERG: My understanding because I  
2 know this jargon can be confusing, so I'd ask for  
3 confirmation myself is that a custom order is where  
4 the client in the U.S., the ultimate user, calls up  
5 and does something that may not have been expected  
6 whereas otherwise somebody like a Norwood would say  
7 well, we're going to assume that in October of this  
8 year we're going to get the same order we always get  
9 from so and so.

10           Pam, is that correct?

11           MS. RAMP: Yes, it is.

12           COMMISSIONER HILLMAN: So the custom could  
13 be color, size, thickness, length? Something  
14 different?

15           MS. RAMP: Correct.

16           COMMISSIONER HILLMAN: The blanket orders  
17 that you're describing would be for the plastic eyelet  
18 and other specifications or how does that work?

19           MS. RAMP: Actually, on the tender and the  
20 retender we tendered to the Japanese-style slide.  
21 Some custom slides came in with the plastic eyelet or  
22 other colors, different sizes other than the specific  
23 large quantities that were included in the blanket.

24           COMMISSIONER HILLMAN: Okay. Then and,  
25 again, this is difficult, Mr. Blumberg, because so

1 much of the data is confidential, but as I'm hearing  
2 it you actually sold some amount of product to Norwood  
3 at these reduced prices as a result of these re-  
4 tenders. Is that correct?

5 MR. BLUMBERG: Yes.

6 COMMISSIONER HILLMAN: Okay. Then, again,  
7 more because it goes to the confidential record, why  
8 in the record do we not see significant reductions in  
9 either AUVs or prices for the products that the  
10 Commission priced? In other words I'm trying to  
11 understand why our record doesn't reflect significant  
12 price reductions or significant reductions in sales  
13 values or average unit values.

14 MR. GOLDBERG: The one thing I can say  
15 before I give it to Mr. Blumberg and Andrew as well is  
16 if it's confidential it may address this or maybe it  
17 has to be linked up in a confidential submission is  
18 Norwood still lost a huge amount of sales to Norwood  
19 and even though those were low price, I mean, it's  
20 sort of like as a law firm you may take on an  
21 insurance company and you may not give them your  
22 highest hourly rates, but they're giving you a lot of  
23 work and that's very good for the bottom line, very  
24 good for overhead and that's what Norwood was.

25 That wasn't their highest priced customer.

1 They had a very competitive rate even starting the  
2 case, but because they were so much of Stuebing they  
3 were very important to the bottom line. So when you  
4 lose that key client even if it's the insurance  
5 company with the lower rates that can really hurt your  
6 entire business model.

7 So I think that's probably as far as I'd  
8 want to go without going confidential.

9 COMMISSIONER HILLMAN: If there is more that  
10 could be added in a post-hearing brief I'd appreciate  
11 it.

12 MR. SZAMOSSZEGI: Yes. I would just like to  
13 make a quick comment. In the questionnaire there is  
14 especially on the AUVs for the four products a there  
15 is a description at the bottom of each question that  
16 really explains the whole issue. It doesn't make a  
17 reference to the price, but it may explain why the  
18 price does not exhibit what one would think it would  
19 exhibit, and so we will have to expand upon that at  
20 post-hearing.

21 COMMISSIONER HILLMAN: I mean, to be honest,  
22 Mr. Goldberg, part of what I'm trying to understand is  
23 whether basically your case is a volume case. We lost  
24 volume and therefore that's where we really ought to  
25 be focusing our attention in terms of our injury

1 analysis or whether you're saying this is both a  
2 volume and a price case and that the imports in fact  
3 depressed prices or suppressed prices.

4 MR. GOLDBERG: Sure. Certainly the loss of  
5 volume is a critical factor in the injury. Certainly  
6 the prices have also been suppressed.

7 They haven't been raised even though the  
8 steel cost has gone up and they haven't been raised  
9 because Stuebing is looking at the market and saying  
10 okay, we've lost all this business, we've got an  
11 aggressive company out there, an importer, that is 35  
12 to 45 percent or whatever we just know they're a lot  
13 lower than us and if we raise prices to any of these  
14 other customers we're just going to invite them to  
15 take them, too.

16 So ultimately it's a price that they were  
17 afraid of raising their prices because they had  
18 already lost a lot of volume and didn't want to lose  
19 more volume and that goes, again, to why this dumping  
20 order whether through administrative review, the  
21 discipline of the order is going to set the bar.

22 At least they'll know there's a floor  
23 otherwise there's no floor.

24 COMMISSIONER HILLMAN: Is there a price  
25 increase that you need to see in order to move

1 machines back from Mexico to the U.S., and if so what  
2 is it?

3 MR. GOLDBERG: That's probably confidential,  
4 so we'll do that --

5 COMMISSIONER HILLMAN: Okay. If that could  
6 be addressed in the post-hearing brief I would  
7 appreciate that answer as well. Given that the yellow  
8 light is on I will come back.

9 Thank you, Mr. Chairman.

10 CHAIRMAN PEARSON: Commissioner Koplan.

11 COMMISSIONER KOPLAN: Thank you, Mr.  
12 Chairman.

13 Thank you for your testimony and your  
14 answers to our questions thus far. Let me ask a  
15 follow-up question.

16 I think we touched on this, but I'm trying  
17 to understand, Mr. Blumberg, is your current capacity  
18 in the United States sufficient to meet current U.S.  
19 demand? When I say current U.S. demand I know you  
20 said that it is. I'm including as part of current  
21 U.S. demand Norwood's needs.

22 The remaining capacity that you have here  
23 now is that sufficient to do that?

24 MR. BLUMBERG: Commissioner Koplan, I  
25 believe that the current capacity that we have is

1 sufficient to cope with the entire rest of the United  
2 States market. I think that it may well be possible  
3 that if we were to regain Norwood's business that we  
4 may have to bring back a few more of the machines that  
5 we sent temporarily to Mexico.

6 COMMISSIONER KOPLAN: Okay. I'll tell you,  
7 counsel, Mr. Goldberg and Mr. Szamosszegi, I'd  
8 appreciate it if for purposes of the post-hearing you  
9 addressed that question taking into account the  
10 results of our audit and verification and I understand  
11 that there was an APO release to you all Tuesday, the  
12 20th of June, that covered some of that and there was  
13 discussions with your accountant.

14 If you would do that for me because I note  
15 that your brief preceded that and also the testimony  
16 this morning apparently doesn't take that into account  
17 when talking about 2005 on page 2 of Mr. Blumberg's  
18 statement. So could you address it for me? I can't  
19 get into the details of it --

20 MR. GOLDBERG: Sure.

21 COMMISSIONER KOPLAN: -- but I think it will  
22 become apparent to you when you look at the results of  
23 that.

24 MR. GOLDBERG: Sure.

25 COMMISSIONER KOPLAN: Thank you very much.

1 Now, let me ask this. Norwood argues at page 6 and  
2 pages 52 to 57 of its brief that Stuebing's decision  
3 to begin production of calendar slides in Mexico was  
4 not due to subject imports and states at page 52 that,  
5 "the primary economic incentive for the  
6 rationalization came from the increase in volume of  
7 Petitioner's export sales", and there are countries  
8 named there that are business proprietary, so I cannot  
9 identify those countries and it says, "Petitioner's  
10 export sales and declines in the prices of those  
11 sales".

12 How much did the increase in your export  
13 sales coupled with the declining trend in your export  
14 prices contribute to your decision to rationalize  
15 significant production capacity and equipment from  
16 Cincinnati to Matamoros, Mexico, in December of 2004?

17 Mr. Blumberg?

18 MR. BLUMBERG: Commissioner Koplan, there  
19 was one reason only that forced us to relocate some of  
20 our plants and that was the fact that we had lost our  
21 largest customer to low priced imports.

22 It would also be true to say that however as  
23 a result of having set up a satellite company in  
24 Mexico once we were there we were able to pick up some  
25 additional business that we never had before in

1 Mexico, but that was a consequence, that was not the  
2 reason that we chose to move. It was simply a matter  
3 of survival.

4 COMMISSIONER KOPLAN: Well, I guess what I'm  
5 trying to understand is this, okay? I don't know what  
6 your answer to my question will be for purposes of the  
7 post-hearing with regard to the results of our audit,  
8 and so I don't know whether you're going to say that  
9 your current capacity that remains in the U.S. is  
10 sufficient to meet Norwood's needs as well because I  
11 haven't seen your answer yet, but assume  
12 hypothetically that your answer is that you do have  
13 enough capacity here now to do all of it including  
14 that.

15 Then I'm trying to understand if that was  
16 the case, if that was the situation why did you go to  
17 Mexico hypothetically if this business that they cite  
18 with regard to export sales and prices had nothing to  
19 do with it?

20 MR. BLUMBERG: Commissioner Koplan, I'm not  
21 quite sure if I'm understanding the question --

22 COMMISSIONER KOPLAN: Okay.

23 MR. BLUMBERG: -- but let me try and perhaps  
24 the Commissioner will direct me if I'm going wrong.

25 COMMISSIONER KOPLAN: Well, maybe Mr.

1 Goldberg needs to do this because some of that  
2 sentence is bracketed that I quoted from their brief,  
3 and so it might be better if you addressed it post-  
4 hearing.

5 MR. GOLDBERG: I'd be happy to do so, but  
6 I'm not sure if it was asked by the Staff up at  
7 Stuebing, and I don't think it's confidential. Again,  
8 I would actually go back to the Exhibits 17 and 18,  
9 which clearly state the reasons and the  
10 contemporaneous written documents in Mr. Blumberg's  
11 declaration was the imports.

12 On all of this, obviously, you guys know  
13 more than I do, members of the Commission. You know,  
14 hindsight is 20/20. When you're looking at it from a  
15 threatened producer point of view, and you're  
16 thinking, how are we going to compete with these  
17 imports, you have to consider the possibility that you  
18 will be doing it all from a low cost Mexican or  
19 whatever place.

20 If all of a sudden, Norwood, or after  
21 Norwood, then falls another customer, and then falls  
22 another customer, and they have got literally no  
23 ability at that point to stay in Ohio. They can  
24 address it more, but I've heard then say that, and  
25 that's why I'm bringing it up now.

1           So it was trying to plan for what could  
2 happen. I think they would say, and I'll let them say  
3 it, they'd rather use Mexico and make sales in the  
4 U.S. as the last alternative. But they're not about  
5 to give up the jobs in Ohio and the quality of U.S.  
6 workers if they can avoid it.

7           COMMISSIONER KOPLAN: Well, you've actually  
8 brought me to my next question, so I appreciate that.  
9 I know that Mr. Blumberg has provided some information  
10 on relative labor costs in his affidavit attached as  
11 Exhibit C to your brief in reference to page 21,  
12 footnote 43.

13           Have you provided our staff with comparative  
14 data detailing Stuebing's overall production cost for  
15 manufacturing metal calendar slides in Mexico, versus  
16 the United States; and if not, will you do that for me  
17 as part of your post-hearing submission, and in doing  
18 so, respond to footnote 6 in Norwood's brief, where  
19 they discuss Stuebing's comparative mark-ups in Mexico  
20 and the U.S., the details of which are bracketed?

21           MR. GOLDBERG: I think we going to already  
22 respond to some of this from Commissioner Lane, but  
23 certainly we'll make it exhaustive to cover, when we  
24 get the transcript, for both of your requests.

25           COMMISSIONER KOPLAN: Would you do that?

1 MR. GOLDBERG: Certainly.

2 COMMISSIONER KOPLAN: Thank you; Mr.  
3 Goldberg, for the post-hearing, will you also please  
4 provide details of any costs and inefficiencies  
5 incurred in 2005 as a short-term result of Stuebing's  
6 major restructuring?

7 I'm asking for that because Norwood has  
8 claimed at page 55 of their brief that such increased  
9 costs, rather than subject imports, adversely affected  
10 Stuebing's profitability in 2005. They point to odd  
11 and unexpected increases of the ratios of net sales of  
12 Stuebing's raw material costs, factory costs, and SG&A  
13 expenses. So would you do that for me?

14 MR. GOLDBERG: Certainly, Commissioner.

15 COMMISSIONER KOPLAN: Thank you; Mr.  
16 Blumberg and Mr. Gavronsky, in your opinion, would  
17 elimination of Commerce's final weighted average  
18 dumping margin of 3.02 percent be sufficient to cause  
19 Norwood to shift its business back to Stuebing? Am I  
20 correct that our preliminary determination failed to  
21 have any positive effect on your relationship with  
22 them?

23 MR. BLUMBERG: Commissioner, your second  
24 sentence is, in fact, correct.

25 COMMISSIONER KOPLAN: But now a final margin

1 that we received is 3.02.

2 MR. BLUMBERG: Yes.

3 COMMISSIONER KOPLAN: And I'm wondering if  
4 you think that would be sufficient to cause them to  
5 shift business back to you, assuming that there the  
6 Commission made an affirmative determination.

7 MR. BLUMBERG: Yes, I don't think  
8 realistically, I don't think it would be realistic to  
9 expect that margin on its own to have Norwood shift  
10 their business back to us right now. However, I think  
11 that even no margin will give us a fairly significant  
12 degree of protection from further imports coming in  
13 and taking further market share in the United States  
14 away from us; and I would hope that through whatever  
15 means, over a period of time in the future, it's not  
16 inconceivable that we could win some of Norwood's  
17 business back.

18 COMMISSIONER KOPLAN: If you elaborate on  
19 that further for purposes of posting-hearing, I'd  
20 appreciate that, Mr. Goldberg.

21 MR. GOLDBERG: We will.

22 COMMISSIONER KOPLAN: Thank you; I see my  
23 red light is about to come on -- thank you, Mr.  
24 Chairman.

25 CHAIRMAN PEARSON: Commissioner Okun?

1                   COMMISSIONER OKUN: Thank you, Mr. Chairman;  
2 and again, I thank all of you for the responses you've  
3 given to our question. I have a few more.

4                   You respond to a number of questions to  
5 Commissioner Koplan about the effect of the large  
6 \_\_\_\_\_ from Commerce and whether you'd get business  
7 back, and questions about the 2004 prices that you  
8 were quoting to Norwood.

9                   I did want to go back for a moment though,  
10 Mr. Goldberg, to something you said in your opening,  
11 which we heard a couple of times; which is, again, the  
12 reason that Norwood may have switched to Nishiyama,  
13 and I had a chance to talk to you about some of the  
14 quality issues they raise.

15                   I also wanted to just have you go through  
16 for me again -- you have said that the evidence is  
17 clear that the initial switch by Norwood, the initial  
18 seeking of Japanese product was a price-based reason.  
19 I wanted you to tell me where in the record we see  
20 that again -- because I did go back after you gave me  
21 a couple of exhibits -- and tell me again. So it  
22 might be confidential. But I want to make sure that I  
23 understand exactly what your record evidence is on the  
24 prices in an initial switch.

25                   MR. GOLDBERG: Sure, let me be exhaustive on

1 the point, the evidence. First of all, when you talk  
2 about productivity, that is partly a price issue. The  
3 pressure on Norwood was to make as much money and  
4 incur as little cost as possible. Part of that is  
5 finding a slide that can be quicker to make, more  
6 uniform, or whatever the case may be. Part of that is  
7 also finding a low-cost importer.

8 If you look at the fact that they did not  
9 raise prices for the Triumph line of calendars for  
10 multiple years, that they were selling their  
11 company -- I mean, some of this is circumstantial, but  
12 some of it's direct, and let me get into the direct.

13 Norwood says that in the initial  
14 conversations with Nishiyama, price was not discussed,  
15 and they try to make that claim that says that was the  
16 last thing from our consideration; and at the pre-  
17 hearing, they said, well, we were just amazed and  
18 loved life and thought it was great when we found out  
19 deep in the relationship how much we were over-paying.

20 If you go to Exhibit 4, to the Norwood  
21 brief -- and it's confidential; I'm not sure why  
22 because it's between Stuebing -- well, actually that  
23 is hard to say. That's Nishiyama and Norwood.

24 If you take a look at it there, and I can't  
25 go into why, I believe you will see, and we'll put it

1 in the brief, that they don't make an accurate  
2 characterization of those negotiations; and there's  
3 also Exhibit 12. Exhibit 12 is October of 2002, and  
4 then Exhibit 4 has multiple faxes. There's one,  
5 November 2, November 8. I think there's two on  
6 November 8th.

7 I put it to the Commission to decide when  
8 the issue of price first arose in this relationship.  
9 Then to say it came late in the game, and it wasn't  
10 part of the initial discussions is not an accurate --  
11 in fact, it's a distortion of the record.

12 COMMISSIONER OKUN: Okay, all right, I have  
13 looked at those then. So I can you can, for post-  
14 hearing, respond or you can point out what you were  
15 looking at. But I guess my broader question with that  
16 is that there's a lot that takes place in those  
17 exchanges, and I would say a fair amount in the cross  
18 exchanges not at all about price. So, I mean,  
19 obviously, I think anyone, if they're going to  
20 actually purchase something, wants to know what the  
21 price is.

22 But in initially seeking an alternative type  
23 of product, in my reading of that -- and again, I  
24 invite you to point out if I'm just missing something.  
25 I see that price question coming after them initially

1 saying, we're looking for something else to run here.

2 MR. GOLDBERG: Well, you don't see that. I  
3 see price being talked from day one, and I'll put that  
4 in the brief. I'm not saying it's so simple to say  
5 that all they did is talk about price and nothing  
6 else. But I was here last summer, and I saw the brief  
7 just last week; and they say price wasn't discussed.  
8 That is frankly not the case.

9 COMMISSIONER OKUN: And then the other  
10 exchange that I'm interested in getting more  
11 information about is what you characterized today  
12 about whether Nishiyama has continued to enter in the  
13 market. I don't want to put words in your mouth. But  
14 I think, Mr. Blumberg, in your testimony, you had  
15 talked about Nishiyama's interest in having Stuebing  
16 sell their product. Is that what you said in your  
17 testimony?

18 MR. BLUMBERG: Right.

19 COMMISSIONER OKUN: Okay, and then if you  
20 could then -- and again, this may need to be done  
21 post-hearing, but anything that could be said here --  
22 when I look at the exchange, including the information  
23 provided in the Nishiyama brief at Exhibit 18, where  
24 they have the Japanese translations of a number of  
25 conversations that, as I read them, are taking place

1 between your company and Nishiyama. They are English  
2 translations of a Japanese meeting, and so we want to  
3 make sure that you all agree with the translation of  
4 exhibits, I'm being told; thank you.

5 But the translations are accurate, because  
6 certainly you have a lot of experience in dealing in  
7 meetings in Japan; and depending on whose providing  
8 the translation, there may be something missing in  
9 there. But I want to make sure whether you believe  
10 the translations that are provided by the Respondents  
11 are accurate.

12 Then if you could just help me out on who  
13 initiated the conversations, if you can say that here.  
14 Who was the initiator of the conversations that I see  
15 in these exchanges in Exhibit 2?

16 MR. BLUMBERG: Okay, Commissioner, I believe  
17 that the exhibit that you're referring to, I looked at  
18 just briefly for the first time yesterday. As you  
19 correctly say, it appears to be a translation. The  
20 words would not be the exact words that I've used; and  
21 I'm also not 100 percent familiar with the exact  
22 content of that.

23 But the context of who initiated this series  
24 of discussions was as follows. Towards the end of the  
25 year -- I believe it was 2003 -- Nishiyama, through

1 the agent, BSI, requested a meeting, a plant visit at  
2 our plant in Cincinnati. We acceded to that request,  
3 and we duly met with them.

4 The discussion covered various topics,  
5 including possible cooperation, and I believe it was,  
6 in fact, at that conversation, that the suggestion was  
7 made to me by Mr. Nishiyama that we should consider  
8 stopping manufacturing slides and become distributors  
9 of these slides in the United States.

10 That meeting was followed-up with a visit by  
11 myself to Osaka in Japan, and our discussions  
12 continued. The discussions included various other  
13 related topics, which were the suggestion from me to  
14 them that they consider a new product which would  
15 include the productivity of reliability of markets of  
16 the Japanese product, with the end user advantages of  
17 the America product. Am I answering your question?

18 COMMISSIONER OKUN: Yes

19 MR. BLUMBERG: Okay.

20 COMMISSIONER OKUN: I have the exchanges of  
21 that in Exhibit 2 to the White & Case brief. Are  
22 there any other exchanges? Well, what happens at the  
23 end of these? In other words, what we see here is an  
24 exchange where both sides are talking about a number  
25 of these, which we can't characterize here -- but a

1 number of things that I think are of interest to this  
2 case.

3 Then there's this last communication. Then  
4 some time in this period, we then have a case filed.  
5 So this is all happening, as I see it. You've got  
6 negotiations going on, and priced with your customer.  
7 There are negotiations or conversations happening with  
8 Nishiyama, and then a case is filed. I'm trying to  
9 make sense of what happened.

10 MR. BLUMBERG: Yes, yes, Commissioner, there  
11 were ongoing discussions telephonically between myself  
12 and Nishiyama's agent. At some point in time, I would  
13 have to consult my records to tell you exactly when  
14 that was. Nishiyama just simply stopped corresponding  
15 with us. There was no explanation given, no  
16 conclusion was come to. They just didn't continue  
17 talking to us.

18 COMMISSIONER OKUN: Okay, and that was prior  
19 to the filing of the petition?

20 MR. BLUMBERG: Yes.

21 COMMISSIONER OKUN: Okay, that's helpful on  
22 that, and just for post-hearing, if you can just take  
23 a look at that, Mr. Goldberg, and respond on some more  
24 specifics. All right, my yellow light is on, so I  
25 will stop there, as opposed to starting another line;

1 thank you for those comments.

2 CHAIRMAN PEARSON: Commissioner Lane?

3 COMMISSIONER LANE: In listening to the  
4 testimony today, I'm struck by, we've got a company  
5 here, Stuebing that's been in business a long, long  
6 time, and it's biggest customer was Norwood, that you  
7 provided the calendar slides over a long period of  
8 time, and everything seemed to be fine. Then all of a  
9 sudden, out of the clear blue sky, Norwood decides to  
10 go elsewhere.

11 I'm finding that just a little incredible.  
12 So I would like to know, what kind of relationship and  
13 how you kept in contact with Norwood over the years,  
14 because they were your number one customer; and what  
15 did you do to keep loyalty to you? I mean, what kind  
16 of contacts did you have with your number one customer  
17 over the years that you didn't know that they were  
18 unhappy with you?

19 MR. BLUMBERG: Commissioner Lane, there was  
20 frequent contact day-to-day.

21 COMMISSIONER LANE: At what level and what  
22 was the nature of these contacts?

23 MR. BLUMBERG: The contacts were at the  
24 level of people like Shelly Shoen, and with Pamela  
25 Ramp most frequently; and before Pam joined the

1 company, with Joyce Starns, who had been with the  
2 company, I believe, for 37 years.

3 There were frequent telephone discussions.  
4 On my instructions, Joyce Starns kept a book of all  
5 complaints. If there were any complaints, it was her  
6 responsibility to bring these complaints to my  
7 attention, so that I could see what was happening, and  
8 in what manner they were followed up.

9 Sometimes, when there was a complaint from  
10 Norwood, what would happen is that Stuebing would send  
11 Bill Piernan or one of his predecessors -- it might  
12 have been Tom MacIntosh before that and there were  
13 others before him. My instructions to Stuebing were  
14 that if Norwood would say to you jump, your answer,  
15 figuratively speaking, must be "how high". So if  
16 there is any problem at all with Norwood, you need to  
17 get down there and find out what the problem is and  
18 sort it out, and that's what happened.

19 Bill Piernan and his predecessors worked  
20 frequently at our own expense and traveled to Norwood,  
21 and often there were problems which were machine  
22 related. The settings were wrong or parts were worn,  
23 and he would fix those.

24 Any reports that I have seen, from all the  
25 reports that I've seen over the years, there was never

1 a single case where Bill Piernan or any of these  
2 predecessors left Norwood in a way that they were  
3 dissatisfied. He stayed there until he got the  
4 machines to run to their satisfaction.

5 As we mentioned previously, if Norwood  
6 thought that sides needed to be replaced, they were  
7 replaced without question, and very often we would re-  
8 sell those slides without a problem.

9 So there was a high level contact at the  
10 level that I've referred to. I visited Norwood on a  
11 couple of occasions long ago, and then more recently  
12 with the change in the purchasing manager to Paul  
13 Smyth.

14 Madam Commissioner, your statement that this  
15 came out of the blue is exactly correct. It's the  
16 biggest shock that I've ever had, that without any  
17 proper warning or indication of real dissatisfaction,  
18 we get a letter from some man that no one has ever met  
19 saying, well, effectively dropping us off the details  
20 like a dirty shirt.

21 COMMISSIONER LANE: And you are a director  
22 and Mr. Gavronsky is the president.

23 MR. BLUMBERG: Right.

24 COMMISSIONER LANE: But it's your  
25 responsibility, basically, to have the contact and to

1 supervise the other people that have the contact with  
2 Norwood.

3 MR. BLUMBERG: Correct.

4 COMMISSIONER LANE: And you're located in  
5 Ohio?

6 MR. BLUMBERG: Our company is located in  
7 Ohio. I live in South Africa.

8 COMMISSIONER LANE: Okay, who in Ohio would  
9 have been responsible for keeping up with Norwood's  
10 needs and what their sentiments were on your product?

11 MR. BLUMBERG: Well, for a long period of  
12 time, it was Joyce Starns, who was an extremely  
13 conscientious employee, and nothing would have gone by  
14 her. If there was a problem at all --

15 COMMISSIONER LANE: And when did she leave?

16 MR. BLUMBERG: How long ago did Joyce leave?  
17 Oh, she retired in 2003.

18 COMMISSIONER LANE: And you still had the  
19 Norwood business then?

20 MR. BLUMBERG: Yes, and at the same time as  
21 Joyce Starns, was Paul Stevens, also a very old  
22 employee. He was production foreman. Subsequent to  
23 his leaving, the people who deal with Norwood on a  
24 day-to-day basis would be Pam Ramp and Allan  
25 Gavronsky.

1                   COMMISSIONER LANE: Okay, now when did  
2 Norwood get its new purchasing manager?

3                   MR. BLUMBERG: Actually, I believe just very  
4 shortly before we received the letter from Paul Smyth,  
5 some time in 2003.

6                   COMMISSIONER LANE: And you all didn't know  
7 that Norwood had a new purchasing manager?

8                   MR. BLUMBERG: No, he was never introduced  
9 to us, and they never told us about it.

10                  COMMISSIONER LANE: Did you notice that the  
11 old purchasing manager had left?

12                  MR. BLUMBERG: Yes, we knew that Ron  
13 Anderson had retired some time prior to that, but  
14 Shelly Shoen was doing his work.

15                  COMMISSIONER LANE: Okay, well, now tell me  
16 the mechanics of the blanket orders that you would get  
17 from Norwood every year. Tell me the process of  
18 entering into those arrangements.

19                  MR. BLUMBERG: Well, Pam, if I go wrong,  
20 please jump in, because you know more about it. But  
21 early in the year, Norwood would traditionally place a  
22 large blanket order for the standard sizes that they  
23 used, and they would give us delivery times during  
24 which they would call those slides off. So we would  
25 go ahead and make those slides in the non-busy season,

1 and keep ahead of the production requirements.

2 Then simultaneously, as the year progressed,  
3 they would also place so-called custom orders or  
4 specials, and these orders would all be placed in  
5 writing.

6 COMMISSIONER LANE: Okay, now as I  
7 understand what you said, Norwood would place the  
8 orders. Did you all solicit them, or did you just  
9 wait for them to call you and say, it's time to place  
10 the order; or were you all solicitous in saying, how  
11 much are you going to need this year, are there any  
12 improvements, is there anything we can do to  
13 facilitate your placing your order? I'm just sort of  
14 curious as to whether it was all a one-way street.

15 MR. BLUMBERG: Yes, it was, I would say,  
16 Commissioner, somewhat of a combination of both. For  
17 example, it happened in one year that Norwood  
18 apparently forgot to place their blanket order, and we  
19 would call them and say, it's getting late, you need  
20 to place your order, and things like that.

21 In fact, what happened during either 2001 or  
22 2002, they had omitted, for some reason, to place  
23 their blanket order, despite many requests by our  
24 staff. They actually would have been in serious  
25 trouble.

1           That was the so-called fiasco that we refer  
2           to later; but for the fact that at that time, Wobbe  
3           and Stuebing were still running separately. In order  
4           to actually run their production simultaneously, Allan  
5           had to bring his crew from Woby into Stuebing and run  
6           night shifts in order to get their production out  
7           timely.

8           COMMISSIONER LANE: Okay, thank you; I see  
9           my yellow light is on so, Mr. Chairman, I'll stop.

10          CHAIRMAN PEARSON: Okay, thank you; let's  
11          see, Mr. Goldberg, this question might be best  
12          directed to you. If we conclude that Norwood sought  
13          an alternative source of supply in order to increase  
14          its productivity, then does it really matter if these  
15          imports happen to be lower in price? I mean, it's a  
16          legal issue in terms of, you know, whether it's  
17          causation. If they're switching for reasons other  
18          than price, than what does that do to our analysis?

19          MR. GOLDBERG: Just to put our position on  
20          the record, we think price was part of it. But I'll  
21          certainly accept your question, Chairman.

22          If Norwood, back in 2003, decided for  
23          productivity purposes that they would go to the  
24          integral slide without the plastic and, again,  
25          Stuebing had dropped off the face of it, at that

1 point, that would be one thing. But given that  
2 Stuebing came up with a slide after three months of  
3 hard work, as they've testified to, that was the same  
4 productivity, then you're back at price.

5 CHAIRMAN PEARSON: Okay, how should we view  
6 underselling in this case, when the U.S. prices  
7 against which the import prices are measured are in  
8 effect set by a monopoly seller? Because, you know,  
9 in most of our cases, we have multiple sellers in the  
10 domestic market. Here, we have one.

11 As a legal matter, does it have an effect on  
12 our analysis; you know, the fact that there is a  
13 monopoly seller? Do we somehow discount the  
14 underselling that's existing?

15 MR. GOLDBERG: I wouldn't accept the notion  
16 that it's a monopoly seller. Obviously, imports can  
17 come into the relevant market, as they did, and that  
18 is an option that's available. So in this day of  
19 global markets, I wouldn't say that there's a  
20 monopolist in the market. I just couldn't accept  
21 that.

22 CHAIRMAN PEARSON: Yes, but in our pricing  
23 data, the pricing that we are measuring for sales by  
24 the domestic industry all are coming from a single  
25 seller. Is that correct?

1           MR. GOLDBERG: There's only a single  
2 domestic producer. But that producer -- and I'll let  
3 Mr. Blumberg respond -- can't necessarily assume that  
4 his competition is only from the domestic source; if  
5 you want to respond, Murray?

6           MR. BLUMBERG: Mr. Chairman, the only point  
7 that I wanted to make is that I don't think that we  
8 can ever be accused of profiteering. So our object  
9 has been based on U.S. import costs to make a  
10 reasonable margin.

11          CHAIRMAN PEARSON: Okay.

12          MR. SZAMOSSZEGI: I would like to also add  
13 something, Chairman Pearson, that I think we're also  
14 feeling, in the case of these products, with a  
15 monopsony buyer. So we have one seller and one buyer,  
16 at least for most of the POI, and so there's counter-  
17 billing power there.

18                 I think for that reason, I don't think there  
19 is much in the way of looking at this case differently  
20 than you would in a normal case, when you had multiple  
21 buyers and multiple sellers; except that the buyer has  
22 a lot of power here, and the seller can also lower his  
23 price to meet that power. But under-selling is still  
24 under-selling in the final analysis.

25          CHAIRMAN PEARSON: Yes, right, I don't know

1 whether I'd quite accept that there's a monopsonistic  
2 buyer. There is some oligopolistic concentration on  
3 the part of buyers.

4 MR. SZAMOSSZEGI: Not with respect to  
5 products one through four.

6 CHAIRMAN PEARSON: Okay, I'll have to look  
7 at that later. Mr. Goldberg, if I understood your  
8 comments earlier, I think perhaps in response to  
9 Commissioner Hillman, you were indicating that you  
10 believe prices have been suppressed. Yet, as I look  
11 at the record, what I'm seeing is that our pricing  
12 data in chapter five in the confidential version of  
13 the staff report generally show increases over the  
14 POI, and the average unit values also got somewhat  
15 higher over the period.

16 So I can see the volume effects in this  
17 case. I'm just having a harder time being clear on  
18 the price effects. Am I missing something?

19 MR. GOLDBERG: I think some of that -- and I  
20 will defer again to Mr. Blumberg and Andrew in a  
21 moment -- is on a product mix.

22 Exhibit 23 is the list of confidential  
23 customers from Mr. Blumberg. The primary customers  
24 remaining after Norwood, as set forth, those prices  
25 are not raised. They have gone up. So beyond that,

1 why you may get some type of an AUV issue or something  
2 like that, again, it could be the fact that Norwood  
3 had a lower price than some of the smaller companies,  
4 because they could demand the lower price. Let me  
5 defer that out again to whatever you can say that's  
6 not confidential.

7 MR. SZAMOSSZEGI: I think that, again, I'd  
8 like to go back to an answer I gave earlier that the  
9 prices in the AUVs that you have, I believe, in  
10 Chapter 5 of the staff report reflect a change in the  
11 product. Even though it's listed as products one  
12 through four, there's a specification change which  
13 results, in a sense, in a noncomparability with the  
14 prior data.

15 So what you're seeing, when you see the  
16 higher prices, is not Stuebing saying, oh, we're going  
17 to raise prices to this customer. We're seeing  
18 something entirely different. So what we have to  
19 explain that in a confidential submission.

20 Also, with respect to the average unit value  
21 issues, again, this gets back to what we were  
22 discussing in terms of countervailing power. We have  
23 a major buyer, major seller, and Stuebing has other  
24 people that it sells its product to. So, as a result,  
25 those prices may be a little bit different.

1           So that shows up in the AUV, when you take  
2     out sales -- profitable sales -- to a large domestic  
3     customer, and the average of those prices may be lower  
4     than the remaining average. You're going to see a  
5     movement in average unit values. I think that  
6     explains what's going on here, and we'll again make  
7     that discussion clear in post-hearing submission,  
8     thank you.

9           MR. BLUMBERG: This is Mr. Blumberg. May I  
10    briefly just add to that?

11           CHAIRMAN PEARSON: By all means, you've come  
12    all the way from South Africa. Please go right ahead.

13           MR. BLUMBERG: Thank you, Mr. Chairman; the  
14    answers have partly covered my understanding of it.  
15    But very simply, the tribunal was concerned with four  
16    selected sizes, which doesn't give a complete picture.  
17    That's the first point.

18           The second point is that, as has been  
19    briefly alluded to, with the removal of lowered, to  
20    whom prices were low, from the mix, the weighted  
21    average of the remaining prices, which were supplied  
22    at client prices, would have brought the weighted  
23    average up.

24           CHAIRMAN PEARSON: Okay, that's a perfectly  
25    reasonable explanation, and I think Mr. Szamosszegi is

1 intending to elaborate that in the post-hearing. Mr.  
2 Gavronsky, did you have something to say to that?

3 MR. GAVRONSKY: No, sir, he's covered it.

4 CHAIRMAN PEARSON: Thanks; I think my last  
5 question, again for you, Mr. Goldberg -- and this  
6 would have to be dealt with in the post-hearing -- but  
7 it relates to Exhibit 4 of Nishiyama's prehearing  
8 brief. Paragraph 4.3.3 on page 2 of the first  
9 document in Exhibit 4 discusses plans that Stuebing  
10 and Nishiyama were discussing.

11 Can you please explain what that exhibit  
12 suggests about Stuebing's plans for continued  
13 significant production in the United States of  
14 calendar slides at that time?

15 MR. GAVRONSKY: I'm not familiar with it,  
16 and I don't have it in front of me. But we'll  
17 certainly look at that and do so.

18 CHAIRMAN PEARSON: Right, and I didn't ask  
19 the question particularly eloquently. But I think  
20 when you look at that exhibit, I think you'll  
21 understand the nature of my question. There's been  
22 some discussion about whether Stuebing will continue  
23 to manufacture slides in the United States; whether it  
24 will increase production, et cetera, and the reference  
25 I just offered you relates to that.

1           Good, my light turned yellow now. I was  
2 about to quit anyway. Let me turn it over to Vice  
3 Chairman Aranoff.

4           VICE CHAIRMAN ARANOFF: Thank you, Mr.  
5 Chairman; I'm going to ask a question that I almost  
6 hesitate to ask. But because of the importance of  
7 credibility to our determination in this case, I'll go  
8 ahead and ask it anyway.

9           In your direct testimony this morning, you  
10 referred to the statement from Mr. Anderson, a prior  
11 Norwood employee, which was given in evidence in  
12 support of the proposition that you had this long  
13 relationship with no significant quality problems.  
14 Could you please describe to me the circumstances  
15 under which Mr. Anderson gave that statement, and  
16 whether he received any compensation for it.

17           MR. BLUMBERG: Commissioner Aranoff, the  
18 circumstances in which he gave that statement was that  
19 we called him. In fact, there was a covering letter,  
20 I believe, that we sent to him, and we explained to  
21 him the nature of this anti-dumping petition.

22           We asked him if he would be willing to make  
23 a statement attesting to the experience that he had  
24 had with Stuebing over the years, particularly in  
25 relation to quality and service issues and so. He was

1 perfectly willing to do so. Does that answer your  
2 question? There were certainly no payments.

3 VICE CHAIRMAN ARANOFF: Okay, thank you, I  
4 appreciate that. I just wanted to get that on the  
5 record.

6 MR. BLUMBERG: Okay.

7 VICE CHAIRMAN ARANOFF: Thank you; I want to  
8 ask some questions about the machines that bind the  
9 calendar slides to the calendar. There's been a lot  
10 of discussion about machines.

11 Can you describe to me, during what periods  
12 of time Stuebing has been a manufacturer of such  
13 machines for sale in the U.S., and during what times  
14 you may have been an importer, and whether you're  
15 currently selling machines and, if so, where they're  
16 manufactured?

17 MR. BLUMBERG: I believe that the  
18 manufacture of the binding machines goes back to the  
19 1930s. We had a relationship with Nishiyama which  
20 started in the 1980s, and we imported their machines  
21 and, by agreement with them, sold them under the  
22 Stuebing name. We currently continue to manufacture  
23 bindings machines, as well as outsource binding  
24 machines.

25 VICE CHAIRMAN ARANOFF: Okay, so I take it,

1 by your statement "outsource" that you are currently  
2 selling some machines that are not made in the United  
3 States?

4 MR. BLUMBERG: That is correct.

5 VICE CHAIRMAN ARANOFF: Okay, if you could  
6 confidentially provide us with information on the  
7 origin of those machines and, you know, any other  
8 details you can. I'm also trying to establish which  
9 ones are the cam machines and which ones are the  
10 pneumatic machines that you've sold over periods of  
11 time.

12 MR. BLUMBERG: Okay.

13 VICE CHAIRMAN ARANOFF: To follow up on  
14 that, if you are aware, during the period where  
15 Stuebing had this relationship to sell Nishiyama  
16 machines in the United States, to whom in the United  
17 States those may have been sold, and whether you're  
18 aware of who may still be operating those machines at  
19 this point in time.

20 MR. BLUMBERG: Certainly.

21 VICE CHAIRMAN ARANOFF: Okay, thank you; can  
22 you tell me what the average useful life is of a  
23 binding machine?

24 MR. BLUMBERG: There are Stuebing machines  
25 that we've come across, and I'm referring to the

1 simpler cam operated machines, which are manually fed,  
2 that easily continue running for 20 or 30 years.

3 The life of the automatic machines,  
4 depending on the usage, would likely be somewhat  
5 shorter than that. But it depends very much on the  
6 usage. It's like the mileage of a motor car. If you  
7 do a very small mileage, it would last longer. If you  
8 drive far distances, it would last shorter.

9 VICE CHAIRMAN ARANOFF: Are you aware of  
10 any, you know, as you would describe the sort of  
11 scientifically valid way of measuring the efficiency  
12 of the operation of a binding machine?

13 MR. BLUMBERG: Theoretically, I suppose that  
14 it's possible to achieve. There are quite a number of  
15 imponderables though, and that would include the  
16 efficiency of the particular operator.

17 In the case of an automatic machine, the  
18 length of the calendar, the longer the calendar, the  
19 slower it takes to feed through the machine. The  
20 quality of the paper, the thinner the paper, the worse  
21 your production would be. The thicker the paper, the  
22 more productive the machine would be, as well as the  
23 quality of the slides.

24 VICE CHAIRMAN ARANOFF: Obviously, they are  
25 thin. A considerable amount of data submitted by the

1 Respondents regarding the issue of operating  
2 efficiency. One of the questions that I have, and I  
3 invite you to comment on it confidentially, since some  
4 of that data in Appendix D in the staff report is  
5 confidential, of the information we have on the  
6 record, is there one set or another that would be the  
7 best, most accurate way of looking?

8           It seems to me that there's at least two  
9 different sets of data in the Appendix, plus there are  
10 some other anecdotal evidence regarding how many  
11 people you have to have on the shop floor at any given  
12 time, depending on, you know, whose slides you're  
13 using or how efficiently these machines are operating.  
14 As amongst all of those, if you could comment on many  
15 of them, which is reliable and which is the best.

16           MR. GOLDBERG: This is all confidential, so  
17 our folks haven't been able to see it. So they can't  
18 really comment except, you know, the obvious fact  
19 which I think is clear in the record is there's nobody  
20 hired, and we couldn't hire somebody, because we  
21 didn't have enough Japanese slides to get an expert  
22 involved.

23           We didn't have the volume ability to do that  
24 type of test; nor, have we seen such a test by Norwood  
25 who did have that type of volume, who could have gone

1 out to MIT or a lesser MIT, to find an industrial  
2 engineer to do a test, an expert kind of witness that  
3 a court of law would look at, and have some  
4 credibility here.

5 But in light of the way those tests were  
6 done, and Mr. Blumberg talked about all the  
7 subjectivity and the timing of the tests, I don't  
8 think there's any set of tests. I think what is in  
9 the record is what happened on March 4th, 2004, and  
10 the contemporaneous email from Ms. Shoen, which was  
11 part of the preliminary. Now she says she was on the  
12 floor. It says May, 2004, she observed the tinning  
13 operation. The runnability is the same as the  
14 Japanese product, and it's acceptable with the  
15 operators.

16 The operators commented that after the  
17 calendars, tinning with Stuebing, tinning versus  
18 Japanese, tinning with Stuebing calendars stacked  
19 better. Now you're going to hear again this  
20 afternoon, they're going to say, well, you know, that  
21 was just a strange moment in time.

22 But we would submit that from a common sense  
23 and every point of view, that is the contemporaneous  
24 evidence. That is the unbiased admission, if you  
25 will. She would have never have said that. We knew

1 Ms. Shoen. She's a very professional person. She  
2 wouldn't have sent an email like that, if that was  
3 inconsistent with what she knew was the case. That is  
4 the best evidence. Unsubstantiated biased test  
5 results were just those.

6 VICE CHAIRMAN ARANOFF: Okay, I appreciate  
7 your answer, and I would just add that in addition to  
8 the test results, there is also some anecdotal  
9 evidence on the record regarding the opinions of the  
10 shop floor employees at Norwood, or a discussion of  
11 how many employees you need to have to efficiently run  
12 the equipment using different slides. So if you could  
13 look back on that and comment.

14 MR. GOLDBERG: I would ask the panel, if  
15 they were just asking the question for the first time,  
16 whether they think there's a difference between how  
17 many people a calendar maker would need. Also, in our  
18 post-hearing submission, we can address how many of  
19 those comments were after the anti-dumping case was  
20 filed, which I think is a lot of them; or at least  
21 after the blanket purchase order was terminated.

22 But do any of you know, one way or another,  
23 how you would staff a calendar making machine with  
24 respect to how many people, with your slides?

25 MR. BLUMBERG: Again, it would vary from

1 operation to operation. It would depend on things  
2 like the uptake units. For example, Norwood would  
3 have an uptake unit which automatically takes the  
4 calendars out of the machine and stacks them. But the  
5 amount of operators that are used to operate an  
6 automatic machine would ideally be around two.  
7 Typically, in a large operation, where there was  
8 significant production going on, you might have a  
9 third operator who collects the tin calendars, and  
10 that operator could be used to fulfill other sundry  
11 functions like bringing slides to the machine and so  
12 on.

13 MR. GOLDBERG: Is there a difference in how  
14 you stack the calendars when you are talking about the  
15 plastic eyelet slide and the other slide as far as how  
16 many calendars you can put on the machine at once?

17 MR. BLUMBERG: Not as far as calendars are  
18 concerned, no.

19 MR. GOLDBERG: I don't mean the calendars.  
20 I mean the slides.

21 MR. BLUMBERG: Slides, yes, you can list  
22 slides with eyelets attached into a magazine, than  
23 compared to the intricate eyelet slides.

24 VICE CHAIRMAN ARANOFF: Okay, thank you very  
25 much for all those answers.

1 CHAIRMAN PEARSON: Commissioner Hillman?

2 COMMISSIONER HILLMAN: Thank you. There has  
3 been a fair amount of discussion on a number of issues  
4 related to exports, and non-subject imports, and other  
5 issues. So let me just try to back up a little bit  
6 and make sure that I understand the market outside of  
7 the U.S.

8 We haven't seen a lot of non-subject imports  
9 into the market until recently. Who else makes  
10 calendar slides? We obviously know that Nishiyama  
11 makes them. You have a sister company in Mexico and  
12 you exist. Are there other producers in Europe, Latin  
13 America, or other places in Asia?

14 MR. BLUMBERG: Yes, Commissioner, there are.

15 COMMISSIONER HILLMAN: Okay, where would  
16 they be?

17 MR. BLUMBERG: There are several in Europe.  
18 There are also several in each of the South American  
19 countries.

20 COMMISSIONER HILLMAN: Okay. How would you  
21 describe demand for calendars, or calendar slides, in  
22 each of the various markets?

23 MR. BLUMBERG: The United States and some of  
24 the central and South American countries tend to have  
25 single-sheet calendars, which are tins. In Europe,

1       there is a far greater popularity of multi-sheet  
2       calendars, which are bound, for example, with double-  
3       jute wire.

4                   COMMISSIONER HILLMAN:   Okay, and how about  
5       Asia?

6                   MR. BLUMBERG:   Japan had a very high usage,  
7       a remarkably high usage of tin calendars even though  
8       there is a preponderance of multi-sheet calendars in  
9       Japan.   But the usage of metal calendar slides has  
10      come down significantly because of a move towards so-  
11      called environmentally friendly binding-type systems  
12      such as paper slides in Japan.

13                  COMMISSIONER HILLMAN:   How would you  
14      describe, in general, demand going forward?   Are  
15      people moving towards this kind of promotional  
16      calendar, away from it, or would you -- how great is  
17      the demand going to be?

18                  MR. BLUMBERG:   I would say that in the  
19      United States the demand is steady.   In Japan, I  
20      believe the demand for calendars is still steady, but  
21      there has been a significant move away from metal  
22      calendar slides.

23                  COMMISSIONER HILLMAN:   And Europe or Latin  
24      America?

25                  MR. BLUMBERG:   Europe, I know from

1 associates that we have in the WY-binding business  
2 that demand is steady and growing.

3 COMMISSIONER HILLMAN: All right, then how  
4 would you describe, for you, your most important  
5 export markets? You are obviously exporting product  
6 from the U. S. What are your most important markets?

7 MR. BLUMBERG: Could we get back to you on  
8 that, Commissioner?

9 COMMISSIONER HILLMAN: Absolutely,  
10 absolutely. And then if you can add in that what  
11 percentage of your production. I understand again it  
12 may be confidential. In your Mexican operation, you  
13 export to foreign markets other than the United  
14 States.

15 MR. BLUMBERG: Certainly.

16 COMMISSIONER HILLMAN: All right. And then  
17 if you can help me understand the issue of lead times.  
18 Are lead times significantly important in this  
19 industry? When does it become more economical to  
20 source locally as opposed to bringing product in from  
21 say Japan?

22 MR. BLUMBERG: Well, Commissioner, lead  
23 times are very important, and they are becoming even  
24 more important during the busy calendar season towards  
25 the end of the year.

1           That is how the custom of placing blanket  
2 orders by larger customers earlier in the year came  
3 about, so that they could be produced and kept in  
4 inventory and ready when they were required.

5           COMMISSIONER KAPLAN: Okay. So you are  
6 saying they are important; and what are typically,  
7 sort of what is a normal lead time within this  
8 industry during that busy calendar season?

9           MR. BLUMBERG: Mr. Gavronsky is saying that  
10 it depends directly on the quantity. But, typically,  
11 a large order during the very busy season may take two  
12 weeks to deliver. A smaller order, particularly if  
13 there is some urgency, may take a couple of days.

14           COMMISSIONER HILLMAN: All right. Have you  
15 seen these lead times be at all altered or  
16 significantly changed as a result of your movement of  
17 your machines, in part, to Mexico?

18           MR. BLUMBERG: I don't believe so.

19           COMMISSIONER HILLMAN: Okay. And then if  
20 you can help me understand relative prices here  
21 versus elsewhere in the world to the extent that you  
22 are engaging in exporting, or are aware of prices?

23                   How would you describe would you describe U.  
24 S. prices for calendar slides compared to prices in  
25 Latin America, or Asia, or Europe?

1           MR. BLUMBERG: Well, we have become aware,  
2 through this case, that the Japanese slides appear to  
3 be low priced. I am also aware that they are less  
4 expensive types of slides used in some Latin American  
5 markets where the amount of the material, the finish  
6 that material might be different, but I don't have any  
7 specific knowledge of exact price comparisons.

8           COMMISSIONER HILLMAN: Okay. And if there  
9 is anything that you can add that would help us  
10 understand how, in essence, relatively attractive the  
11 U. S. market is from a price standpoint vis-a-vis the  
12 markets in Latin America, Europe or Asia that could be  
13 on the record that would be helpful.

14           I don't know, Mr. Gavronsky, did you have  
15 anything that you wanted to add?

16           MR. GAVRONSKY: No.

17           COMMISSIONER HILLMAN: I'm sorry. You need  
18 to use the microphone.

19           MR. GAVRONSKY: I'm sorry, Commissioner, no.

20           COMMISSIONER HILLMAN: All right. I think  
21 with that, at this point, Mr. Chairman, I have no  
22 further questions.

23           CHAIRMAN PEARSON: Commissioner Kaplan?

24           COMMISSIONER KAPLAN: Thank you, Mr.  
25 Chairman. Mr. Szamosszegi, you, in your direct

1 presentation, testified that a forward answer artists  
2 canvas from China covers -- you moved to Mexico?

3 MR. SZAMOSSZEGI: Yes.

4 COMMISSIONER KAPLAN: I've got a five-word  
5 citation for you: Residential door locks from Taiwan,  
6 okay.

7 Let me tell you where I'm coming from.  
8 First of all, I looked at the artists' canvas  
9 decision, and I note there that we stated in our  
10 opinion, and in the Commission's views, that because  
11 the Mexican facility was located near a major  
12 customer's distribution facility in southern  
13 California, production was increased to accommodate a  
14 large increase in that customer's orders.

15 Do we have anything present like that in the  
16 current investigation?

17 MR. SZAMOSSZEGI: In terms of distribution  
18 facility located, not that I am aware of.

19 COMMISSIONER KAPLAN: I didn't think so,  
20 okay. Then let me ask you this: At pages 1 and 6,  
21 Norwood cites residential door locks from Taiwan in  
22 their brief. That's a 1990 investigation in which  
23 domestic producers had established production in  
24 Mexico, and they argue that the situation there is  
25 similar to this current investigation.

1           So, for purposes of the post-hearing, unless  
2 you wanted to do it now, I'd ask you to distinguish  
3 this investigation from residential door locks from  
4 Taiwan, which they cite in their pre-hearing brief?

5           MR. SZAMOSSZEGI: Okay. I will save most of  
6 the answer post-hearing. But I believe the main  
7 difference in the area that they cite, it is that they  
8 said that there were subject imports in this market at  
9 the time, and there were no non-subject imports in the  
10 U. S. market in this investigation, where there were  
11 in residential door locks in Taiwan.

12           That is only a partial analysis.

13           COMMISSIONER KAPLAN: Thank you. When I  
14 looked at your brief, I didn't see any reference to  
15 that particular case: residential door locks. So  
16 anything else you want to add post-hearing, I would  
17 appreciate it.

18           MR. SZAMOSSZEGI: Thanks.

19           COMMISSIONER KAPLAN: Thank you.

20           Mr. Blumberg and Mr. Gavronsky, your brief  
21 claims, at page 60, that inventories of calendar  
22 slides held by Nishiyama threatened the U. S. domestic  
23 industry.

24           Then Nishiyama's brief, at pages 30-31,  
25 asserts that calendar slides produced for the Japanese

1 home market are not substitutable for those used in  
2 the United States because the former are produced to  
3 "metric lengths that do not match requirements of the  
4 U. S. market."

5 Could you respond to that allegation?

6 MR. BLUMBERG: Certainly, Commissioner. I  
7 have to be honest and say that I think that that is an  
8 attempt to mislead the Commission. Calendar slides  
9 are produced to specific orders, and whether they are  
10 measured in inches or millimeters doesn't make any  
11 difference. It would take but a few minutes, at most,  
12 to fix one of Nishiyama's machines up to produce the  
13 slides that were measured in inches instead of  
14 millimeters.

15 COMMISSIONER KAPLAN: thank you. I  
16 appreciate that. Let me stay with you and Mr.  
17 Gavronsky. The Commission's produced questionnaire  
18 requested a copy of your firm's business plan.

19 Norwood asserts, at page 40 of its brief,  
20 that the Commission cannot determine what royal  
21 subject imports may have had on Stuebing's decision to  
22 begin production in Mexico. "Because although asked  
23 to submit a copy of your firm's business plan, or  
24 other internal decision-making documents related to  
25 the shift in production," Stuebing has produced no

1 contemporaneous decision-making documents showing the  
2 basis for the decision.

3 I note you have included some financial  
4 statements, and internal memoranda, as part of Exhibit  
5 C to your pre-hearing brief. Do you have any  
6 additional documentation that would demonstrate your  
7 decision-making during the period in which Stuebing  
8 first considered moving a portion of your production  
9 to Mexico? If so, could you please submit copies with  
10 your post-hearing brief, if there is anything that you  
11 can add?

12 MR. BLUMBERG: I believe that the  
13 Commissioner has seen -- one needs to understand that  
14 this is a very small company where formal decisions  
15 and minutes of meetings, or office actions, are not  
16 really held.

17 COMMISSIONER KAPLAN: I appreciate that.

18 MR. BLUMBERG: But I believe that the  
19 Commissioner would have seen the letter from myself to  
20 our accountant --

21 COMMISSIONER KAPLAN: Yes.

22 MR. BLUMBERG: -- and then subsequent  
23 effects from me to Mr. Gavronsky.

24 COMMISSIONER KAPLAN: And that covers all of  
25 it? That's everything you would have?

1 MR. GOLDBERG: Certainly, that's all that I  
2 have seen. Also, as far as -- there is no business  
3 plan. But there is more circumstantial evidence which  
4 goes against what they're saying. It was put in the  
5 Prelim, you know, to the temporary issues, the bills  
6 of lading, the exports, all of the FedEx issues. I  
7 mean it all shows when this happened. And on the  
8 calendar on the time line, I think that's more  
9 evidence, too.

10 COMMISSIONER KOPLAN: When and why is what  
11 I'm interested in?

12 MR. GOLDBERG: Well, that would be an  
13 additional when. The why I think is Exhibit 17; and  
14 18, I think is as strong as they have and it's what  
15 they have.

16 COMMISSIONER KOPLAN: Thank you very much  
17 and thank you for all of your answers to my questions.

18 That concludes my questioning. Mr.  
19 Chairman?

20 CHAIRMAN PEARSON: Commissioner Okun?

21 COMMISSIONER OKUN: Thank you. My remaining  
22 questions are for a post-hearing, but I do want to  
23 thank the witnesses for all their responses.

24 But this would go to counsel and I make this  
25 request to Bob Tishman's counsel, and also for both

1 Respondent's counsel, Mr. Thomas and Mr. Morgan as  
2 well, so I'll save myself from repeating it. And that  
3 is: the Respondents have cited the Bratsk v. U. S.  
4 case by the Federal Circuit. As I am sure parties and  
5 counsel are aware, the Commission has requested a  
6 rehearing en banc. But since we don't know the  
7 outcome of that, I am going to ask some hypothetical  
8 questions in the event that we need to address them.

9           The first would be: If you read that opinion  
10 to me, then we first have to determine whether we are  
11 dealing with a commodity product. How do we make that  
12 determination? It is certainly -- the Commission has  
13 -- dealing with commodity products. But I would be  
14 interested in counsel's view of what the Commission  
15 should be looking at. And then, of course, whether it  
16 applies in this case?

17           The second would be: Whether the other  
18 holding of the Court with regard to the benefit to the  
19 domestic industry applies only if we are dealing with  
20 a commodity product, and non-subject imports, things  
21 substitutable? And I think, based on the number of  
22 questions here about whether Stuebing would regain the  
23 business of Norwood and the low margin by Commerce, I  
24 think that question, to me, is relevant and whether  
25 that applies at all in this case?

1                   And then finally: Just again whether you  
2                   have to have both steps, both the commodity product  
3                   and non-subject imports in the market, to even need to  
4                   reach this benefit to the industry requirement? So,  
5                   again, those would be my three requests for a post-  
6                   hearing.

7                   With that, Mr. Chairman, I have no further  
8                   questions. But, again, thank you very much for all  
9                   your responses.

10                   COMMISSIONER KAPLAN: Thank you,  
11                   Commissioner Okun.

12                   Let's see, next we would turn to  
13                   Commissioner Lane.

14                   COMMISSIONER LANE: Thank you. I just have  
15                   one question, and if this was asked before, I  
16                   apologize. How has Stuebing's loss of Norwood as a  
17                   customer impacted its calendar slide prices for sales  
18                   to other customers?

19                   MR. BLUMBERG: Commissioner, the answer is  
20                   that event suppressed our prices to other customers  
21                   because the steel prices increased very sharply over  
22                   the last three years in the United States, and we  
23                   would normally have increased our prices to other  
24                   customers. But for fear of losing further business,  
25                   we have not increased our prices for the majority of

1 our slides sold in the United States.

2 COMMISSIONER OKUN: Okay, thank you.

3 Mr. Chairman, that's all I have.

4 COMMISSIONER KAPLAN: Vice Chairman Aranoff?

5 VICE CHAIRMAN ARANOFF: Thank you, Mr.

6 Chairman, a few follow-up questions: First, Mr.

7 Goldberg, I would just like to ask you to clarify

8 either now, or confidentially if you prefer,

9 Petitioner's position on substitutability between the

10 domestic product and the imported product, or

11 interchangeability, and whether your claims on

12 interchangeability go only to the Japanese-style

13 product that Petitioner developed, or whether it goes

14 to the plastic-eyelet product relative to the Japanese

15 imported product?

16 MR. GOLDBERG: We go beyond the Staff

17 Report. We don't think it's just moderate. We think

18 it is a highly substitutable product; and, you know,

19 again, as the demonstration showed, you can take a

20 plastic eyelet slide and run it through the machine

21 with the other slides and it will bind the calendar.

22 But you get into issues: plastic eyelet

23 versus non-plastic eyelet on speed, at some point. We

24 will grant that, but there is a difference. They are

25 substitutable, but there is always some type of a line

1 of -- that you can understand it.

2 But these are basically highly substitutable  
3 products doing the same thing: binding the calendar.  
4 They look very much alike. They basically are alike  
5 and we disagree with -- well, back in the prelim, they  
6 were completely non-substitutable; and now, according  
7 to the Respondents, now they're saying: Well,  
8 effectively they are non-substitutable because we have  
9 productivity requirements that Stuebing just can't  
10 meet, but we disagree with that. We think these are  
11 highly substitutable products. The Japanese and the  
12 Japanese spec from Stuebing are 100 percent  
13 substitutable.

14 The plastic eyelet versus the other, if I  
15 had a machine right here, it would be completely  
16 substitutable. I'm sorry almost that we don't have a  
17 machine. I think I mentioned to Chairman Pearson: I'm  
18 sorry we couldn't do that for everybody.

19 But, once you get into larger production  
20 rates, you could say that there is some difference  
21 ultimately, plastic versus non-plastic. But that is  
22 not the case with the non-plastic comparison. Those  
23 are completely 100 percent substitutable.

24 VICE CHAIRMAN ARANOFF: Okay, I appreciate  
25 that clarification. I guess I would ask you a more

1 philosophical question that you can respond to in your  
2 brief. I see a certain inconsistency in your position  
3 on the substantial interchangeability of the Japanese  
4 model versus the plastic-eyelet model.

5 In your comment that other than Norwood,  
6 domestic customers prefer the plastic eyelet, they  
7 don't the integral product. You are protected from  
8 competition on the plastic-eyelet product because of  
9 patent protection. So, on the one hand, there is this  
10 idea that the customers view it as superior, not the  
11 same thing, sort of a protected market because they  
12 don't want the integral eyelet product; and, on the  
13 other hand, that you can't raise prices, can't even  
14 try to raise prices. It seems a little bit  
15 contradictory to me.

16 MR. GOLDBERG: Stuebing's in business to  
17 make money, and if they could have said we will ignore  
18 Norwood now. We will ignore Nishiyama, and now we  
19 have this new market and we can do whatever we want,  
20 capitalistic or otherwise.

21 There is no reason why they wouldn't have  
22 done that. I guess the philosophic thing: it's a real  
23 world example. It really is the Southwest effect  
24 here. It honestly is. I mean I have thought about  
25 this, and thought about this. Markets change,

1 consumer demands change, not necessarily what they  
2 want. I like getting on an airplane and having a full  
3 meal, having all those things we used to have in the  
4 old days. The new model came along, and people were  
5 in it to make money, investors are into it to make  
6 money.

7           So Stuebing honestly understands, just  
8 because you and I might like one type of slide better.  
9 Ultimately, you've going to have cost-saving companies  
10 like the Norwoods of the world that are going to come  
11 in and are going to change the market. And you have  
12 the other calendar-producing companies that are going  
13 to have to compete by going to that lower standard of  
14 really consumer quality.

15           So they have to be concerned that,  
16 ultimately, these are the customers that will go.  
17 They'll just follow the trend and they will go to the  
18 new product of the imported slides. It may not be  
19 ideal, but it still binds the calendar, and they will  
20 dictate ultimately what will happen there.

21           Just like now we all, you know, deal with --  
22 even the legacy calendars are looking like the  
23 Southwest, and we deal with that effect. It is much  
24 more productive. Southwest makes a lot of money at  
25 it, but is the customer service really the same way it

1 was twenty-five years ago?

2 VICE CHAIRMAN ARANOFF: I appreciate those  
3 answers. I will note that, in your brief, you also  
4 make an argument relating to the different machines  
5 that people use regarding why people make the choices  
6 they do. And I don't know whether you are sticking to  
7 that argument, or whether you think it's more of the  
8 sort of cost-cutting supply-push argument?

9 MR. GOLDBERG: Let me just ask Mr. Blumberg  
10 and Mr. Gavronsky. I don't want this to be argument.  
11 I think the ultimate issue is: Why they didn't think  
12 they were free to raise prices for the steel increase  
13 with their other customers? Why they thought those  
14 customers were at risk?

15 MR. BLUMBERG: I'm not quite sure if I'm  
16 understanding what the question is, but --

17 VICE CHAIRMAN ARANOFF: Actually, that's not  
18 really the question.

19 MR. BLUMBERG: Okay.

20 VICE CHAIRMAN ARANOFF: That's okay. The  
21 question goes back to interchangeability. I thought  
22 there was some argument that because customers, other  
23 than Norwood, might be operating different production  
24 equipment that might affect their choice of which kind  
25 of eyelet they wanted to have.

1 MR. GOLDBERG: No, Commissioner, I don't  
2 believe that that is correct. I don't remember that  
3 in our brief. It's 62 pages. I do remember that in  
4 Respondents' brief, though.

5 VICE CHAIRMAN ARANOFF: Okay.

6 MR. GOLDBERG: We don't believe, as Blumberg  
7 testified, he thinks a lot of the people, his  
8 customers, have similar machines which Norwood is  
9 claiming they don't have.

10 VICE CHAIRMAN ARANOFF: Okay. Which is one  
11 of the reasons why I asked earlier to have you see  
12 what you can tell me about who's operating what  
13 machines because I think that will help.

14 Another question for the brief: There has  
15 been some discussion about this issue of the relative  
16 hardness of the tin plate. It would be helpful to me,  
17 and this is to both sides, to have a chronology of who  
18 asked who to change the thickness of the tin plate;  
19 and what, if any, were the difficulties in obtaining  
20 the product? Who wrote the specifications? And just  
21 to comment on the issue of if there were  
22 inconsistencies in thickness, what caused that? So  
23 all of that.

24 Again, that also goes to Respondents'  
25 counsel. It would be just helpful, and I think it

1 probably goes back before the period of investigation.  
2 So as far back as you can go would be helpful.

3 MR. GOLDBERG: Certainly.

4 VICE CHAIRMAN ARANOFF: Thank you very much.

5 And thank you, Mr. Chairman, I don't have  
6 any further questions.

7 CHAIRMAN PEARSON: Commissioner Hillman?

8 COMMISSIONER HILLMAN: Just a couple of  
9 follow-ups to somewhat piggyback on the question that  
10 commissioner Okun asked with respect to the Bratsk's  
11 Federal Circuit opinion. If you could also address  
12 the issue of whether you need Bratsk, or the facts in  
13 this case, to draw a distinction between whether the  
14 non-subject imports are controlled by Petitioners'  
15 firms, or whether they are controlled by Respondents'  
16 firms? Does that matter in our analysis and in our  
17 understanding of how Bratsk may or may not apply to  
18 this investigations?

19 The second question goes: In light of this  
20 discussion you just had with Vice Chairman Aranoff, I  
21 am going to make sure that I understand your answer  
22 exactly in terms of: If the Japanese products are as  
23 low priced as they are, why the other customers have  
24 not already switched to the Japanese products?

25 Because I now think that I have two or three

1 different responses to that, so I just want to say it  
2 again and see if you can help me understand from your  
3 perspective. Again, if the Japanese product is low  
4 priced, why is Norwood, so far as I understand it, the  
5 only customer that has decided to purchase the  
6 Japanese product?

7 MR. BLUMBERG: Commissioner, I believe the  
8 answer to that is quite clearly that the rest of the  
9 market prefers the characteristics of the Stuebing, or  
10 American slide, with the plastic-attached hand, which  
11 is much easier for uses, particularly for ladies with  
12 long nails to bend up, or to fold up, prior to hanging  
13 the calendar compared to the short, hard, stubby metal  
14 tab that is the case on the Japanese slide, which is  
15 somewhat more difficult to use.

16 MR. GOLDBERG: Why not raise the prices --  
17 (multiple voices)

18 MR. GOLDBERG: If that's the case, then why  
19 did you not raise your prices through the roof for  
20 steel to those customers?

21 MR. BLUMBERG: Well, because conversely a  
22 very important factor. If we were to raise our prices  
23 to a ridiculous level, we would be setting ourselves  
24 up for a fall.

25 COMMISSIONER HILLMAN: I appreciate those

1 responses. Thank you very much.

2 Commissioner --

3 COMMISSIONER KAPLAN: Kaplan.

4 COMMISSIONER HILLMAN: I was just trying to  
5 remember not to say Chairman, that was all.

6 CHAIRMAN PEARSON: You can call me anything  
7 you want to.

8 COMMISSIONER KAPLAN: I thought I was done  
9 but my accountant, unfortunately, Mr. Giamalva called  
10 me back from the brink to follow up with you on a  
11 question that I asked, my next-to-last question on my  
12 last round.

13 So let me come back to it and that was the  
14 question, Mr. Blumberg, that I asked you with regard  
15 to Japanese inventories. Do you remember that  
16 question?

17 MR. BLUMBERG: Yes, I do.

18 COMMISSIONER KAPLAN: Okay. Let me actually  
19 quote you why the framework of the question. You  
20 agreed that at those early stages, Nishiyama's -- no,  
21 wait a second. I just mixed them.

22 At page 60, you agreed: "The threat of  
23 Nishiyama's increasing production and holding large  
24 quantities of inventory like a sword of Damocles over  
25 the head of the U. S. industry, is that very real?"

1           I go to your brief, and they state, at pages  
2   30 and 31, they discussed about "Nishiyama produces  
3   calendars large for the United States market, which  
4   are measured in inches pursuant to purchase orders,  
5   and does not produce their inventory. Nishiyama's  
6   entire calendar slide inventory consists solely of  
7   slides that are produced to metric lengths that do not  
8   match requirements of the U. S. market." And they  
9   have a cite. Nishiyama has no inventory that  
10  potentially could be sold to the United States.

11           I realize, Mr. Blumberg, that you can adjust  
12  your production as you go along to come out either  
13  way, but your statement in your brief refers to a  
14  product that is already in inventory. And their  
15  response in their brief is responding to that, to that  
16  issue. So I don't think you actually answered my  
17  question on the first go-around.

18           MR. BLUMBERG: Okay. May I try and clarify  
19  that?

20           COMMISSIONER KAPLAN: If you can do that, I  
21  would appreciate it.

22           MR. BLUMBERG: Sure. Commissioner, the  
23  first point is that calendar slides are not really --  
24  they are not typically characterized by carrying  
25  large inventories. They are made to order and --

1                   COMMISSIONER KAPLAN: Well, I think that's  
2 their point. When they are talking about their  
3 inventories, they're saying their inventories are  
4 strictly for their home market, and that that's  
5 produced and categorized in metric lengths.

6                   MR. BLUMBERG: Yes, but --

7                   COMMISSIONER KAPLAN: Do you disagree with  
8 that?

9                   MR. BLUMBERG: I can't answer that.

10                  MR. SZAMOSSZEGI: If you don't mind, excuse  
11 me, let me step in. Part of what's going on and what  
12 that client is referring to is the penchant for  
13 Nishiyama to hold large levels of inventories. It is  
14 certainly consistent with the business model. Mr.  
15 Blumberg is referring to the fact that Nishiyama could  
16 alter the size. Producing in inches is not a big  
17 issue for them obviously.

18                  So the ability of Nishiyama to produce and  
19 hold large inventories of these inch-denominated metal  
20 calendar slides is very real and a very real threat.

21                  COMMISSIONER KAPLAN: But in terms of long-  
22 term contracts, it's more that you get a specific  
23 order and you produce it. You might have it in  
24 inventory and then you turn it around, you turn it  
25 right out. You're not holding it for a period of

1 time.

2 MR. SZAMOSSZEGI: I think we will present  
3 something in the record that shines a little light on  
4 that. I think that --

5 COMMISSIONER KAPLAN: Excuse me. I think  
6 you're referencing a different stream, maybe  
7 production and capacity utilization. I'm talking  
8 about what their practice is? What they claim their  
9 practice is with regard to the inventory that they  
10 have, and what they put into the inventory, and the  
11 tins that they assign is strictly for the home market?

12 You are saying that they have the capacity  
13 to do more.

14 MR. SZAMOSSZEGI: They have the capacity to  
15 do more and --

16 COMMISSIONER KAPLAN: but they aren't doing  
17 more now.

18 MR. SZAMOSSZEGI: -- put that into  
19 inventory.

20 COMMISSIONER KAPLAN: But you are not saying  
21 that that is the case right now? You don't have a  
22 basis for that.

23 MR. SZAMOSSZEGI: I don't have a basis for  
24 saying that they have. They are holding inventories  
25 right now in inches, I don't know that, other than

1 what they might have for orders.

2 COMMISSIONER KAPLAN: Thank you.

3 MR. BLUMBERG: I'm sorry, may I just briefly  
4 finish the question that was put to me, Commissioner?  
5 But it would be absolutely nothing to stop a Nishiyama  
6 from making inventory of any inch slide that is  
7 required by any large U. S. customer, and treating it  
8 -- and holding it in inventory for a short period of  
9 time as they must do for Norwood.

10 COMMISSIONER KAPLAN: If they received an  
11 order for that, if a customer gave them an order for  
12 that.

13 MR. BLUMBERG: Of course, certainly.

14 MR. GOLDBERG: The context -- the evidence  
15 is already that they're lost -- Nishiyama has lost  
16 home market, whether it's market share or customers,  
17 so there is a reason to look overseas.

18 The evidence is they were looking overseas.  
19 And the reference, Commissioner, to the brief which is  
20 language from Mr. Szamosszegi. It is not from a  
21 declaration or anything from Mr. Blumberg was that  
22 there is a threat of the increasing production and  
23 using this inventory. It really does tie back, I  
24 believe to capacity utilization, which I think is  
25 favorable for a threat finding.

1           But I think that's the context of Andrew's  
2 statement in the brief. That's a threat that they  
3 would do so because they have idle machines.

4           COMMISSIONER KAPLAN: Thank you, thank you  
5 very much. I have no further questions.

6           MR. GAVRONSKY: Excuse me, Commissioner.  
7 It's Allan Gavronsky.

8           COMMISSIONER KAPLAN: Yes, sir.

9           MR. GAVRONSKY: I wold like to add: Over the  
10 years, Norwood had some standard sizes: 17 inch, 18  
11 inch, 22 inch, 27 inches. Those are standard sizes  
12 throughout the industry. There are a lot of customers  
13 that use the same size.

14           So whether they do a 17 inch and convert it  
15 to millimeters, or an 18 inch in millimeters, or a 16  
16 inch, 11 inch. There are so many sizes that are used  
17 by many other customers.

18           COMMISSIONER KAPLAN: Thank you for that. I  
19 appreciate your adding that.

20           I have nothing further.

21           CHAIRMAN PEARSON: Are there any other  
22 questions from the dais? Do members of the staff have  
23 any questions?

24           MS. MAZUR: Mr. Chairman, the staff has no  
25 questions.

1                   CHAIRMAN PEARSON: Does Respondents' counsel  
2 have any questions for this panel?

3                   MR. THOMAS: Not at this time, we do not.

4                   CHAIRMAN PEARSON: Okay, thank you.

5                   I think that wraps up the morning session.

6                   Let's see, we will reconvene this afternoon  
7 at a quarter to two. Be mindful that the room is not  
8 secured over luncheon, so any materials that are  
9 business, confidential, or otherwise important, should  
10 be taken with you.

11                   This panel is excused and we are in recess.

12                   (Whereupon, at 12:50 p.m., the hearing in  
13 the above-entitled matter was recessed, to reconvene  
14 this same day, Thursday, June 22, 2006.)

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1 the Commission for granting us the opportunity to  
2 present testimony at this hearing. I will provide  
3 some general background information about Norwood and  
4 its role in the U. S. promotional products calendar  
5 industry.

6 Kevin Haala and Shelly Shoen will discuss in  
7 more detail the numerous problems that Norwood has  
8 experienced with Stuebing's metal calendar slides over  
9 the years, and how Stuebing failed to take the  
10 necessary actions to correct the problems, which  
11 ultimately necessitated that Norwood seek to procure  
12 better performing calendar slides from an ultimate  
13 source.

14 Because I am aware of this background, and  
15 made the decision in 2003 to replace Stuebing with  
16 Nishiyama as Norwood's principal slide source, I was  
17 extremely surprised to find at page 2-5 of the pre-  
18 hearing report the statement that "Despite some  
19 differences in specifications between domestic and  
20 imported calendar slides, the staff believes that  
21 there is at least a moderate degree of substitution  
22 between metal calendar slides produced in the United  
23 States and those produced in Japan based upon  
24 available information."

25 I don't know exactly what the staff meant by

1 a moderate degree, or what information was available  
2 to it when the statement was made. I can say, as the  
3 only consumer in the United States that has actually  
4 used both products in the commercial manufacture of  
5 calendars -- in fact, Stuebing slides are not at all  
6 substitutable for the slides we import from Nishiyama.

7 Indeed, when after moving to Nishiyama  
8 slides, we had left-over inventory of standard size  
9 Stuebing slides. I gave directions that it was to be  
10 scrapped. It costs us more in extra labor hours to  
11 run it than to replace it.

12 If this case were to result in Norwood's  
13 being denied access to metal calendar slides from our  
14 Japanese source, an unlikely event in view of the very  
15 small dumping margins, we would not turn to the U. S.  
16 product, but would look elsewhere among the several  
17 other foreign sources of calendar slides for slides of  
18 the same design and performance as those we obtained  
19 from Nishiyama.

20 As our testimony will show, Stuebing's metal  
21 calendar slides simply cannot compete with the  
22 calendar slides Norwood's sources from Japan in terms  
23 of suitability for use in our calendar-binding  
24 process. Most recently, we have used them only when  
25 required by special circumstances, such as an

1 immediate need for a slide of a dimension not on hand  
2 in Norwood's inventory.

3 As of this year, we have completed the  
4 adjustments of our tin calendar-size offerings and  
5 calendar slide inventory arrangements, so that we do  
6 not anticipate requiring Stuebing calendar slides even  
7 for those purposes. Stuebing has lost our business,  
8 but that was because of Stuebing's failure to correct  
9 their problems with their slides and the clearly  
10 superior performance of the Japanese slides. Our  
11 decision to find a replacement for Steubing was  
12 productivity driven, not price driven.

13 To the best of my knowledge, Nishiyama's  
14 slides are not being sold or being offered to any  
15 other U. S. calendar-slide consumers. Therefore, it  
16 is clear Steubing's business with other U. S. slide  
17 users has not been adversely affected. It certainly  
18 has not been adversely affected by Norwood's imports  
19 and consumption of Nishiyama's slides.

20 Norwood, therefore, respectfully requests  
21 that the Commission render a negative-injury  
22 determination in this proceeding. Norwood is one of  
23 the leading suppliers of promotional products in the  
24 United States. Norwood has sixteen core brand names,  
25 and markets more than 4,000 products. In 2005,

1 Norwood's revenues were approximately \$320 million.  
2 Calendars represent Norwood's largest product  
3 category. Norwood believes that it has the largest  
4 individual market share in the U. S. for promotional  
5 products in the calendar industry.

6 Norwood manufactures a variety of different  
7 kinds of calendars. Some calendars are made using  
8 metal calendar slides while other utilize metal  
9 stitching, metal spiral binding or plastic spiral  
10 binding.

11 In 2005, calendars accounted for over 25  
12 percent of Norwood's revenues. All of Norwood's  
13 calendars are manufactured at the Sleepy Eye plant, a  
14 284,000-square-foot facility where we employ 525  
15 permanent workers. At peak season, 875 are employed  
16 at our plant, 64 in our calendar slide binding  
17 department alone.

18 In order for Norwood to remain competitive  
19 in this market and to keep manufacturing operations in  
20 the United States, we must produce high quality  
21 products in a highly efficient manner. Our key to  
22 success is in continuous productivity improvements  
23 while maintaining the highest level of quality. Both  
24 of these key objectives require that the metal  
25 calendar slides that Norwood uses in its operation

1 must be of high quality, and must not contribute to  
2 delays in operations.

3           Steubing's slides failed to meet the  
4 criteria for several years; consequently, Norwood had  
5 to seek an alternative source. The substantial  
6 improvements in Norwood's productivity made by  
7 switching from Steubing calendar slides to the better-  
8 performing slides from Japan can be clearly seen in  
9 the productivity data recorded as part of our  
10 manufacturing operating system, or MOS program.

11           The MOS program was implemented by  
12 Synergetics, a consulting firm retained by Norwood in  
13 2003 to increase our productivity in a number of  
14 different areas, including: customer service and order  
15 processing, as well as manufacturing through put and  
16 run-time improvements for all of Norwood's product  
17 line.

18           In the course of assessing Norwood's tinning  
19 operations, Synergetics did not suggest that Norwood  
20 should switch to cheaper tins to improve productivity.  
21 Its studies made it clear that we had to find more  
22 productive slides. This analysis reinforces the  
23 importance of Norwood's efforts to find an alternative  
24 supplier, a task that Kevin Haala had already begun  
25 several months earlier.

1                   Therefore, when, in the late summer of 2004,  
2 we came to the point of deciding on our future  
3 calendar slide supplier, I decided that we should make  
4 the switch to Nishiyama slides based on productivity  
5 gains that our test runs showed we would experience  
6 with their use. As a result of implementing  
7 Synergetic's recommendations, publishing-division wide  
8 our overall productivity in 2003 increased by 20  
9 percent over 2002.

10                   Before closing, I would like to say that it  
11 is my personal goal to keep Norwood Publishing as a  
12 leading domestic supplier of calendars in the  
13 promotional products industry. To keep the plant in  
14 Sleepy Eye, we have to understand it is an  
15 international marketplace, and the biggest threat to  
16 our business is off-shore sourcing of calendars.

17                   To compete, we must continue productivity  
18 improvements. It saddens me every time I see a new  
19 industry moving to off-shore sourcing, and I don't use  
20 foreign sourcing lightly. I prefer to buy American,  
21 but when faced with an American monopoly that was non-  
22 responsive to our needs, I determined that the better  
23 good of the plant was to source with slides that would  
24 save us the unnecessary labor costs associated with  
25 running Steubing's slides.

1           My first responsibility is to make Norwood  
2     productive and competitive, so that we can keep our  
3     manufacturing operations based in the United States.  
4     When we determined we needed a new tin supplier to  
5     replace Steubing, our first choice was to find another  
6     domestic supplier. Only when we were unable to find  
7     another supplier in this country did we decide to look  
8     elsewhere for tin that would work properly in our  
9     binding machines.

10           At this time, I will conclude my remarks and  
11     will allow Kevin Haala to discuss the quality problems  
12     that Norwood experienced with Steubing's slides over  
13     the years, and why Norwood decided to source with  
14     Nishiyama. Thank you.

15           MR. HAALA: Good afternoon. My name is  
16     Kevin Haala. I currently hold the position of Lean  
17     Master Facilitator, and it is my principal  
18     responsibility: to review Norwood's processes, and to  
19     identify areas to improve the overall productivity of  
20     Norwood. Previously, I held the position of process  
21     manager at Norwood at its predecessor, Advertising  
22     Unlimited, for fifteen years, since 1991.

23           Prior to that, I supervised a tinning  
24     department at Norwood's Sleepy Eye Minnesota factory  
25     for some four years, 1987 to 1991. The tinning

1 department is responsible for: the binding of  
2 calendars using metal calendar slides, commonly called  
3 tins, and employing specialized binding equipment.

4 Prior to that, I held a number of positions  
5 at Norwood's predecessor company. My total tenure  
6 with the company is over 28 years. As process  
7 manager, and now as Lean Master Facilitator, I have a  
8 roving assignment to find ways to improve Norwood's  
9 production processes. Those process improvements  
10 might include: modification of plant layout, upgrades  
11 of equipment, purchase of new production equipment,  
12 identification of better quality products, and worker  
13 training, among others.

14 In 2002, I turned to the tinning operation  
15 where Norwood was experiencing productivity problems  
16 related to the metal calendar slides being supplied by  
17 Steubing. To explain those problems, it is necessary  
18 to describe how metal slide-type automatic calendar  
19 binding equipment works.

20 In the tinning department, calendars are  
21 stacked on a table-like platform at one end of the  
22 binder and fed into the binder's automatically  
23 functioning binding mechanism. At the binding  
24 station, the binder positions a V- or U-shaped metal  
25 calendar slide in the binding mechanism, inserts the

1 calendar into the V of the slide, and then the  
2 machine's slide-press mechanism performs a double bend  
3 of the slide that locks the slide in place on the  
4 calendar.

5 The bound calendar is then mechanically  
6 discharged from the machine onto a collection chute  
7 where calendars are stacked on top of each other ready  
8 for wrapping or removal to another station. A short  
9 film showing this process in operation was included as  
10 an exhibit to Norwood's pre-hearing brief.

11 The slides are fed automatically into the  
12 binding machines by pointed separators, sometimes  
13 called nails, from a magazine loaded with stacked  
14 slides located towards the rear of the binding  
15 machine, above the binding mechanism. For this  
16 equipment to work properly and efficiently, it is  
17 necessary for the metal calendar slides first to feed  
18 reliably and consistently from the magazine into the  
19 binding mechanism.

20 Second, when fed from the magazine to the  
21 binding station, to lay in the mechanism properly to  
22 receive the calendar and for the binding folds to be  
23 performed. Third, to be composed of metal with a  
24 thickness and a hardness that both facilitates  
25 operation of the binding and form a secure binding.

1 And fourth, to permit the bound calendars to collect  
2 properly and without damage at the conclusion of the  
3 binding operation.

4 The Steubing slides regularly failed to  
5 satisfy one or more of these requirements. They  
6 slowed production rates and caused jams and misfeeds  
7 in our binding equipment, and caused damage to our  
8 product. These problems were long-standing and are  
9 documented by exhibits to Norwood's pre-hearing brief.

10 Documents submitted with Norwood's brief  
11 show, for example: In November 2000, Norwood faxed  
12 Steubing information about problems being experienced  
13 with Steubing's slides, including bent plastic  
14 eyelets, bowed slides, wrapped slides, and flimsy "that  
15 would be thin or soft" slides.

16 Norwood stated that as a result in the  
17 preceding five months, it had experienced tinning  
18 department efficiency rates ranging from 69 percent to  
19 as low as 53 percent. Steubing responded that: We  
20 recognize that you are experiencing more production  
21 difficulties than in the past. Steubing blamed its  
22 slide's material problems on its suppliers, and the  
23 plastic-eyelet problems on shipping and storage  
24 issues.

25 On May 1, 2001, Steubing sent a letter to

Heritage Reporting Corporation  
(202) 628-4888

1 customers stating that in the future, it would be able  
2 to source only heavier sheet steel from its suppliers,  
3 and customers would have to make adjustments to your  
4 tinning machines.

5 On July 10, 2002, Linda Krantz, the buyer in  
6 our Washington, Iowa plant, sent me an internal  
7 memorandum stating that Norwood would have to switch  
8 the size of tin it was ordering for multi-page  
9 calendars due to the softness of the slides we were  
10 getting. Linda said: I was told by the president of  
11 Steubing that stock will be what we will be getting  
12 from now, on and we will need to make adjustments.

13 Linda went on to say that the past  
14 president, and Bill Piernan from Steubing, were here a  
15 couple of weeks ago to see if they could make the  
16 adjustments and they could not. On July 22, 2002,  
17 Steubing sent Norwood a letter stating Steubing was  
18 making its slides out of material of fluctuating  
19 thickness and temper, and strongly suggesting new  
20 guidelines for the width of tin to use in multi-sheet  
21 applications.

22 Steubing went on to blame the problems being  
23 experienced by its customers with the customers'  
24 machines being out of adjustment, or they were  
25 exceeding Steubing's paper-specifications guidelines.

1 Steubing announced it would be charging for service  
2 calls in the future.

3 We can also document that on at least five  
4 occasions, between April 24 and November 8, 2002, our  
5 buyer Shelly Shoen sent samples of problem slides to  
6 Steubing for testing on a binding machine at Steubing  
7 to illustrate the problems Norwood was experiencing.

8 As this list makes clear, by 2002 the  
9 Steubing-slide problem seemed to be growing worse.  
10 They included: variations in the thickness and  
11 hardness of the slides, ranging from too hard to  
12 crimp, so soft that they did, and not hold their  
13 crimped form; slides prone to warping and bowing,  
14 which would cause slides to misfeed; stacking problems  
15 caused by embedded slides, that is slides stuck fast  
16 together, apparently due to Steubing's slide design  
17 and poor quality paint, so that they would not feed  
18 properly, a problem that meant we could not fill our  
19 binders' magazines more than one-third to one-half  
20 full, and, therefore, had to reload frequently;  
21 irregular spacing between slides, causing misfeeds;  
22 slides with a sharpish V-shape that adversely affected  
23 acceptance and binding of multi-page calendars,  
24 particularly those with thicker stock; rectangular  
25 sharp ends on the slide, which made them dangerous to

1 handle and contributed to binder feed problems; slides  
2 stamped from steel sheets in such a way that the grain  
3 of the steel was sometimes oriented longitudinally with  
4 the slide; and sometimes oriented vertically, which  
5 seemed to lead to longitudinal bowing, particularly if  
6 the tin was thin or soft; and plastic eyelets attached  
7 to the slide that were sometimes missing and sometimes  
8 curled up or down, so that they caught against  
9 adjacent slides and caused misfeeds.

10 Later, in a letter dated September 30, 2003,  
11 Steubing claimed to have addressed problems caused by  
12 its slides scratching and sticking together by  
13 stamping dimples into its slides. The necessary  
14 implication of Steubing's design changes is that there  
15 were stacking and scratching problems, and that  
16 Norwood was not the only customer experiencing them.

17 Norwood's subsequent experience was that the  
18 slides they received did not always consistently have  
19 the advertised dimples, and that because of soft metal  
20 and paint issues, the problem of embedded slides was  
21 not eliminated even when the dimples were present.

22 Norwood's complaints about these problems,  
23 and the production issues they caused routinely, were  
24 greeted by Steubing with the response that such  
25 problems never happened anywhere else. I later found

1 that claim was inaccurate. When Norwood acquired  
2 McClary Cummings, a calendar manufacturer in  
3 Washington, Iowa, I discovered that facility was  
4 experiencing the same Steubing problems as Sleepy Eye.

5 Steubing asserted that the problems raised  
6 by Norwood were not problems with Steubing slides, but  
7 were caused by what Steubing claimed were: unqualified  
8 operators at the binding machines; poor binding-  
9 machine operator practices; improper loading of slides  
10 in the binder magazines. "For example, Steubing  
11 maintained the magazines should not be filled,"  
12 incorrect machine settings, and binding machines that  
13 were worn and in need of replacement.

14 The problems with the wide variations in the  
15 hardness and thickness of its slides, Steubing blamed  
16 on its steel suppliers and asserted that nothing could  
17 be done about them.

18 Under the impression that there was no  
19 alternative to Steubing as a supplier, Norwood  
20 struggled with these problems for years. Steubing  
21 states that its average rate of product returns shows  
22 that its slides were generally problem free. It is my  
23 impression the returns rate touted by Steubing is  
24 actually poorer for a fabricated metal product. The  
25 returns rate is not an adequate measure of having

1 problems with Steubing's slides.

2 First, in document after document, Norwood  
3 shows that Steubing regularly told its customer base  
4 that the kinds of problems they were experiencing were  
5 either the customer's fault, or, as in the case of the  
6 variability of thickness and hardness of Steubing  
7 slides, was out of Steubing's control.

8 There would be no point, for example, in  
9 returning slides that are so soft they stick together  
10 when stacked more than one-third or one-half the way  
11 up a binder magazine, if the supplier states that such  
12 difficulties are out of its control, and it is the  
13 customer's responsibility to address its machines and  
14 manufacturing practices as necessary.

15 Second, many slides are ordered in advance  
16 to fill calendar orders in the peak calendar  
17 manufacturing period in the fall of the year. By the  
18 time that it is discovered that a particular batch was  
19 bad, it often would have been too late to return them.  
20 They had to be made to work so that calendar orders  
21 could be filled and shipped on time.

22 On other occasions, Norwood simply scrapped  
23 the bad tin. For example, Exhibit 5-A to the brief  
24 contains an e-mail from the tinning department  
25 supervisor asking to scrap over 10,300 pieces of

1 Steubing tin because it was especially difficult to  
2 run. But, in the fall of 2002, as the slide problem  
3 seemed to be mounting, I began a search for  
4 alternative metal-slide suppliers expecting that the  
5 tinning department's production rates would be  
6 improved if better performing slides could be found.

7 I investigated alternatives at trade shows  
8 and among the products of other calendar  
9 manufacturers. I looked for alternative suppliers  
10 abroad and even tried to identify U. S.-based  
11 companies that might be persuaded to get into the  
12 metal-calendar slide business. One of my inquiries  
13 was to a U. S. distributor of foreign-made calendar-  
14 binding machines who identified the Nishiyama Kinzoku  
15 Company in Japan as a potential metal-calendar slide  
16 supplier.

17 I sent Nishiyama a fax inquiry on October  
18 22, 2002. I received a response on October 24 from  
19 Acomax BSI Corporation, which explained that it was  
20 acting as the export sales agent for Nishiyama. BSI  
21 said it was sending us catalogs, calendar samples and  
22 metal-slide samples.

23 When I received the Nishiyama slide samples,  
24 it was at once apparent they were designed and  
25 manufactured very differently from the Steubing

1 slides. For one thing, the Nishiyama slides did not  
2 have a hanging plastic eyelet, but an integral eyelet  
3 stamped out of the metal slide. I also noticed that  
4 the Nishiyama slides seemed to nest together more  
5 precisely than Steubing's slides, and that they had  
6 rounded ends, which eliminated sharp edges. The  
7 product immediately impressed me.

8 I followed up on November 2nd with  
9 additional questions. BSI responded on November 5th.  
10 In answer to a question I had asked about Nishiyama's  
11 relationship, if any, with Steubing, BSI reported that  
12 Nishiyama had exported to the United States in the  
13 1980s, including the sale of some 30 to 40 Nishiyama  
14 binding machines to the Steubing Automatic Machine  
15 Company.

16 It said that Nishiyama had essentially  
17 stopped exporting to the United States early in the  
18 1990s when Steubing started manufacturing and selling  
19 binding machines based on the Nishiyama machine, but  
20 with a different slide-press system.

21 The Steubing system is one that, by the way,  
22 is much less effective than the cam-driven Nishiyama  
23 system. The Steubing belt machines rely on weaker  
24 air-cylinder operation of the slide press, which is  
25 one of the reasons Steubing insists on supplying

1 softer slides. These were not well suited for Norwood  
2 because five of our eight binding machines in this  
3 period were original cam-operated Nishiyama-built  
4 machines.

5 On November 8th and 11th, there were further  
6 exchanges of e-mails in which I asked for larger 1,000  
7 piece samples of certain standard slides for more  
8 exhaustive production tests, and raised questions  
9 regarding the thickness and temper of the tin  
10 production schedules and delivery time frames. All of  
11 the e-mails I have described have been provided as  
12 exhibits to Norwood's brief.

13 The samples were shipped in mid-January 2003  
14 and were tested by us in early February. Our report  
15 of the test results contained the following comments  
16 about the Nishiyama slides: Very little machine set-up  
17 time; can fill the binding machine magazine to the  
18 top; Steubing told us that doing this would cause  
19 misfeeds with its slides; do not have to tap tin to  
20 keep it feeding; tin does not double drop; eyelet is  
21 smooth and does not catch on the next piece of tin; no  
22 sharp edges; can run tin down to the last piece; runs  
23 very well; less refilling of magazine needed; no  
24 eyelet problems; and product looks good.

25 In summary, the Nishiyama slides appear made

1 for our binders, which, as it turned out, we had  
2 Nishiyama-made binders so they were. In early March,  
3 we placed a trial order with BSI for some 50,000  
4 Nishiyama slides in order to validate the small sales  
5 test.

6 In the course of these exchanges with BSI,  
7 we had asked and received answers to general questions  
8 regarding product specifications. It was not until  
9 the end of February, however, that we requested and  
10 received price quotes for specific slides. We were  
11 surprised to find that even net of delivery and other  
12 costs, the Nishiyama slides would actually cost us  
13 less than the Steubing slides.

14 This was welcome news but not critical to  
15 Norwood's sourcing decision. As we began to run the  
16 Nishiyama slides in longer production runs, we saw a  
17 major improvement in production rates, and a  
18 disappearance of the jams and interruptions regularly  
19 experienced with the Steubing slides. This was  
20 especially significant because in March 2003, while  
21 trial runs of the Nishiyama slides were being  
22 conducted, Norwood retained Synergetics, a systems-  
23 analysis- and design consultant to conduct an analysis  
24 of production rates in, among other areas, the tinning  
25 department, and to identify production targets.

1           As a result of Synergetics' work, tally  
2 boards were set up in each production cell showing the  
3 target rate and how each shift was performing as  
4 measured against the target. Starting in 2004, these  
5 data were imported daily into our manufacturing  
6 operating system database.

7           The tinning cell production target was set  
8 based on running Steubing's slides, assuming optimal  
9 operation of the binding machines and no misfeeds, or  
10 other interruptions of the process other than routine  
11 set-ups and changeovers when completing one job and  
12 beginning another.

13           Our experience then which continued to be  
14 our experience to the extent we continued to use  
15 Stuebing slides for special orders was that over time,  
16 the tinning operations typically operated at roughly  
17 60 to 70 percent of optimal rates when Stuebing slides  
18 are used, the lower rate prevailing when the attached  
19 eyelet type was used. When Nishiyama slides are used,  
20 the tinning operations typically run at an average of  
21 over 80 percent of optimal rates and in some periods  
22 at rates that are as high as 115 percent of target.  
23 We have manufacturing operating system production  
24 records, most of which pre-date the filing of the  
25 petition, supporting these statements.

1                   Please know that these are actual  
2 productivity rates experienced in production, not  
3 tests, as Petitioner asserts in its pre-hearing brief.  
4 In addition, when using Nishiyama slides, we do not  
5 find it necessary to add a third person to the binding  
6 crew to tap and free up embedded slides and handle the  
7 more frequent magazine loading necessitated when  
8 Stuebing slides were used.

9                   As a test of the Nishiyama slides  
10 progressed in the spring of 2003 and it became  
11 apparent that the exhibited major productivity  
12 advances over the Stuebing slides, it also became  
13 apparent Norwood would realize significant  
14 productivity based cost savings from using the  
15 Nishiyama slides. In fact, although the prices at  
16 which the Nishiyama slides were offered were welcomed,  
17 it was apparent Norwood would realize savings even if  
18 the Nishiyama slides were offered at the same or  
19 substantially higher price than the Stuebing slides.

20                   Subsequent experience has confirmed our  
21 original assessment. Based on approved production  
22 rate alone, use of the Nishiyama slides have yielded  
23 large cost savings for Norwood. These savings are  
24 calculated in Exhibit 14. The production rate based  
25 savings is so great that it's inconceivable to us that

1 we would return to reliance on Stuebing as a metal  
2 slide supply source. Thank you. I will be happy to  
3 answer any questions you may have during the question  
4 period.

5 MR. THOMAS: Thank you, Kevin. We will now  
6 turn to Shelly Shoen.

7 MS. SHOEN: Good afternoon. My name is  
8 Shelly Shoen and I am a buyer for Norwood, Sleepy Eye,  
9 Minnesota, calendar publishing operations. I joined  
10 Norwood on a full-time basis in April of 2001. My  
11 duties include arranging purchases of material for  
12 which Norwood makes its calendar, including the metal  
13 calendar slides that are subject of Stuebing's  
14 petition.

15 One of my responsibilities have been dealing  
16 with Stuebing, including arranging acquisition of  
17 metal calendar slides from the company, forwarding  
18 complaints about its products, and dealing with supply  
19 and delivery issues as they arise. When I began  
20 acting as buyer for metal calendar slides in 2001, I  
21 found Norwood was experiencing a variety of quality  
22 problems with the Stuebing slides and information  
23 about these problems was regularly being communicated  
24 to employees at Stuebing. The problems seemed to get  
25 worse in 2002. At that time, Stuebing began to use

1 generally softer metal in its slides. Stuebing slides  
2 also seemed to have greater inconsistency in their  
3 hardness and thickness. This problem was acknowledge  
4 by Stuebing in a letter to me dated July 22, 2002.  
5 The letter has been provided to the Commission as  
6 Exhibit 7 to Norwood's pre-hearing brief.

7 In response to Norwood's complaints, in  
8 early spring 2002, Allan Gavronsky and Bill Piernan,  
9 Stuebing's machine shop foremen, visited Sleepy Eye.  
10 During that visit, we discussed and demonstrated  
11 performance problems Norwood was experiencing with  
12 Stuebing slides. We asked Stuebing to go back to  
13 using a harder steel in its slides. Stuebing  
14 responded that softer material was needed to avoid  
15 binding machine wear problems. We had experienced no  
16 unusual wear problems with the harder material.

17 At the same meeting, we provided examples of  
18 slides, in which the band was not correct and as an  
19 example of the variability of Stuebing products, some  
20 slides that were extremely hard. We discussed  
21 problems with embedded slides, that is slides that are  
22 stuck together in the magazine of the binding  
23 machines. Stuebing said it could cure its problem by  
24 its plan to put dimples in its slides. The dimples  
25 actually showed up more than a year later, announced

1 in a letter dated September 30, 2003.

2           Following the 2002 visit by Stuebing, I sent  
3 Stuebing various samples of problem slides to  
4 demonstrate further the continuing problems Norwood  
5 was experiencing. Stuebing claimed it frequently  
6 tested its slides on its binding machines in  
7 Cincinnati. I, therefore, sent samples of Norwood's  
8 paper and calendars to be used in that testing.  
9 Packages of such samples were mailed to Stuebing on  
10 April 24, 2002, May 8, 2002, August 9, 2002, September  
11 27, 2002, and November 8, 2002. In the same time  
12 period, I received the previously mentioned letter  
13 from Mr. Gavronsky advising that we had to follow  
14 certain guidelines in this slide size we ordered due  
15 to the fluctuating temper and thickness of the slides  
16 Stuebing was supplying.

17           In 2003, we continued to experience problems  
18 with Stuebing slides that adversely effected our  
19 production. We complained frequently to Stuebing that  
20 we needed slides of sufficient hardness to hold the  
21 bind securely after the binding operation. We needed  
22 slides that were a temper of four to five with a  
23 thickness of .19 millimeters, that is 7.5 thousandths  
24 of an inch. We were not receiving such material from  
25 Stuebing. With lean manufacturing in place and

1 increased emphasis of production rates the problems  
2 with the Stuebing tin were not acceptable.

3 On June 5, 2003 and August 7, 2003, I sent  
4 additional correspondence and samples of unacceptable  
5 slides to Stuebing, including curly plastic eyelets,  
6 embedded slides, and soft material. No response to  
7 the June 5<sup>th</sup> letter was received. On September 30,  
8 2003, Stuebing sent me a letter announcing it would be  
9 adding a series of dimples to its tin, because it had  
10 been alerted to some problems of stacking and  
11 scratching.

12 In the meantime, Kevin Haala had been  
13 corresponding with a potential slide supplier he had  
14 located in Japan and testing small sample lots. In  
15 March 2003, we received a good report from Norwood's  
16 Asia office in Hong Kong about the trading company  
17 supplier BSI and the Nishiyama product it supplied.  
18 By mid-year 2003, we had serious production type runs  
19 using Nishiyama manufactured slides and we were  
20 getting very good results. By late summer 2003, we  
21 confirmed that the Nishiyama slides ran extremely well  
22 in our binding machines and that their use eliminated  
23 all production problems we had experienced with the  
24 Stuebing slides, which Stuebing had largely blamed on  
25 us.

1                   In late August 2003, the decision was made  
2                   by Warren Harris to turn to BSI for our supplies of  
3                   standard slides. Paul Smyth, at the time our director  
4                   of supply team management and purchasing, advised  
5                   Allan Gavronsky of this fact by letter. Early in  
6                   September, Mr. Gavronsky and Mr. Piernan visited  
7                   Sleepy Eye and Norwood again demonstrated the problems  
8                   it was having with the Stuebing slides. Stuebing  
9                   subsequently sent us a letter dated September 9, 2003,  
10                  in which it returned to its customary practice of  
11                  denying substantial problems with its product and  
12                  blaming Norwood for the poor production rates  
13                  experienced with Stuebing slides. Stuebing blamed  
14                  Norwood's complaints about the softness of Stuebing  
15                  slides on Norwood's binding machine operators  
16                  supposedly having gotten used to material that was too  
17                  heavy. It claimed Norwood had failed to comply with  
18                  Stuebing's instructions regarding changes in the  
19                  sizing of slides made necessary by the variability in  
20                  the hardness and thickness of the steel Stuebing was  
21                  using. It alleged that wear in Norwood's machines and  
22                  operator inefficiency were responsible for slide  
23                  misfeeds, low production rates, and other problems  
24                  recited by Norwood. Stuebing's advice was to buy  
25                  newly-designed binding machines from it.

1           On December 8, 2003, Stuebing's owner, Mr.  
2 Blumberg, joined Mr. Gavronsky and Mr. Piernan in a  
3 visit to Norwood's plant in Sleepy Eye. When Norwood  
4 told Stuebing that Norwood found the Japanese calendar  
5 slides far superior to theirs and was shown the  
6 Nishiyama slides running at high production rates  
7 without problem, with fully stacked magazines, they  
8 had little to say. They did claim that consumers  
9 would not like the integral eyelets.

10           During the December 8, 2003 visit, during a  
11 visit in March 2004, and on several other occasions  
12 since, we were repeatedly asked by Stuebing for  
13 information about pricing of the Japanese slides. We  
14 generally tried to avoid responding or to respond in  
15 terms of percentage differences. On occasion when  
16 hard pressed by Mr. Gavronsky, I gave more detailed  
17 information. However, that was never done in the  
18 context of asking for price concessions from Stuebing.  
19 I did not request that such concessions. Price was  
20 not the issue, performance was.

21           Early in 2004, we issued a request for  
22 quotation for Norwood's 2004 slide purchases.  
23 Although we were very satisfied with the standard size  
24 Nishiyama slides being purchased from BSI, we sent the  
25 RFQ to BSI, Stuebing, and another U.S. company we had

1 determined was interested in becoming the source of  
2 metal calendar slides for Norwood. We anticipated a  
3 continuing need for purchase custom slides and  
4 emergency requirements from Stuebing or an alternate  
5 supplier in the U.S. We asked for bids for 20  
6 percent, 50 percent, 80 percent, and 100 percent of  
7 Norwood's requirements.

8           On March 4, 2004, Mr. Blumberg, Mr.  
9 Gavronsky, and Mr. Piernan made another visit to  
10 Sleepy Eye. During that visit, they brought out  
11 Stuebing's version of what they called Japanese-type  
12 slides. They ran these specially-made samples on a  
13 Norwood machine, which unremarkably demonstrated no  
14 immediate problem. However, Stuebing slides remain  
15 significantly more flimsy and roughly made products  
16 than the Nishiyama slides. There was no indication  
17 from Stuebing that it had addressed the metal softness  
18 and the variability problems or the multiple other  
19 problems that in addition to the curly plastic eyelets  
20 were responsible for the embedding and other feeding  
21 problems exhibited by Stuebing slides. We had no  
22 reason to be confident that except for eliminating  
23 inefficient binding machine feeding problems caused by  
24 the plastic eyelet type of calendar slides, Stuebing's  
25 new version of its slides would prove to be any better

1 than its past slides.

2           On March 11, 2004, Stuebing submitted a bid  
3 for Norwood's 2004 slide orders. Stuebing's proposal  
4 was complicated and unresponsive. It involved an  
5 offer to place three new Stuebing machines at  
6 Norwood's plant at "no cost" to Norwood and a firm  
7 price for only "a minimum of 50 percent of Norwood's  
8 total slide business." Stuebing, also, demanded a  
9 right of first refusal to match the price of any  
10 reliable competitor for quantities above 50 percent of  
11 Norwood's total business. In his March 11, 2004  
12 letter, accompanying Stuebing's quotation, Mr.  
13 Blumberg acknowledged the advantages of the Nishiyama  
14 slide by referring to "the runnability or productivity  
15 advantages of the Japanese specification slides." He  
16 claimed Stuebing had under development a new slide,  
17 which together with retrofits to its machine, would  
18 reproduce the runnability of the Japanese slides,  
19 together with what he asserted, "the product  
20 advantages to the end user of the plastic eyelet." We  
21 do not believe there are any such advantages to a  
22 plastic eyelet, possibly Stuebing's other customers  
23 do.

24           We had no interest in Stuebing's proposal.  
25 Our determination was to rely on Nishiyama as our

1 primary slide source and to use Stuebing slides only  
2 when delivery constraints made it necessary.  
3 Subsequently, pressed by Mr. Gavronsky, we said that  
4 he could provide a more responsive quotation without  
5 the free machines and that covered a full range of  
6 options he had requested. His subsequent June 9, 2004  
7 offer volunteered to match the prices of the Nishiyama  
8 slides, but, again, for a minimum of 50 percent of  
9 Norwood's purchases. Because of the performance  
10 problems we experienced with Stuebing slides, we never  
11 gave his second offer serious consideration.

12 In 2004 and 2005, Norwood purchased Stuebing  
13 slides only when necessary to fill orders for custom-  
14 sized calendars when slides were needed on an  
15 expedited schedule and as required for Stuebing-  
16 designed large format binders until they were  
17 replaced. From time to time, we had runs in which  
18 Stuebing slides ran satisfactory and met target  
19 production range.

20 I understand that Stuebing relies heavily on  
21 one such instance. In an e-mail that I sent to  
22 Stuebing's Pam Ramp, at that time, I, therefore, will  
23 return to that incident. On May 6, 2004, I was called  
24 by Stuebing's Pam Ramp, who asked how Stuebing's  
25 Japanese-type tin recently sent to Norwood was

1 running. I checked with the tinning department and  
2 was told that a batch of Stuebing's Japanese-type tin  
3 was running well that day. Pam asked me to send her  
4 an e-mail documenting this report, which I did. My e-  
5 mail also noted, however, that there were problems  
6 with the paint on the Stuebing slides, as it blackened  
7 the operators' hands and being transferred from their  
8 hands to the calendar. Pam responded four days later  
9 with thanks, a promise to look into the paint problem,  
10 and the comment that it appeared Stuebing was "finally  
11 getting our act together."

12 The fact that satisfactory operation of a  
13 batch of Stuebing slides was a subject of comment and  
14 a request by Stuebing for written confirmation  
15 reflects the fact that satisfactory operation of  
16 Stuebing slides was an unusual occurrence. Over time,  
17 the Stuebing slides continued to exhibit the same old  
18 problems and is shown by the MOS data in the quarter  
19 in which this incident took place to yield poor  
20 productivity rates compared to the Nishiyama slides.  
21 In January, we continued to experience the same old  
22 problems with the Stuebing slides. Average production  
23 rates using Stuebing slides continued to be well below  
24 those we experienced with the Nishiyama slides.  
25 Because of this, we did not request a quote from

1 Stuebing or anyone else from our 2005 or 2006 slide  
2 requirements. We simply negotiated with Nishiyama.  
3 We have done away with non-standard sizes, such as  
4 half inch and quarter inch sizes, reducing our master  
5 parts list from 234 parts at the beginning of 2005, to  
6 38 parts in 2006, so that we can source all slide  
7 requirements from inventory on hand. We believe we no  
8 longer have to source any slides from Stuebing and  
9 experience the associated production rate penalties.

10 In summary, the reason was turned to  
11 Nishiyama slides in 2003 and have continued to  
12 purchase them since in preference to the Stuebing  
13 slide product is that the Nishiyama product works much  
14 better in our binding machines and gives us much  
15 higher productivity. The Nishiyama slide performance  
16 advantages make them so superior to Stuebing slides  
17 that Stuebing's product is simply not equivalent. We  
18 have not had any of the problems with the Nishiyama  
19 slides that we chronically experienced with the  
20 Stuebing slides. We would not seriously consider  
21 returning to Stuebing. If we were ever to consider  
22 such a return, I do not think I could face the staff  
23 in the tinning department, which, as a result of years  
24 of unhappy experience with Stuebing slides, has come  
25 to detest the Stuebing product. Thank you for

1 attention. I will be happy to answer questions in the  
2 question period.

3 MR. THOMAS: Thank you, Shelly. That  
4 concludes our presentation. Nishiyama will follow  
5 with their remarks. I just wanted to mention one  
6 thing. In Warren's testimony, when he mentioned that  
7 he made the decision to go with the Nishiyama slides  
8 instead of Stuebing, I believe he misstated and said  
9 that was in the late summer of 2004, when, in fact, it  
10 was the late summer of 2003. Thank you. Give us a  
11 couple of minutes to change.

12 (Pause.)

13 MR. MORGAN: My name is William Morgan, on  
14 behalf of Nishiyama Kinzoku. I'm joined by my  
15 colleague William Moran and we are pleased to have Mr.  
16 Kazuhiro Nishiyama, president of Nishiyama Kinzoku  
17 join us today. He is available for questions, but we  
18 will need to translate for him.

19 As Chairman Pearson and Commission Okun  
20 recognized in their dissenting preliminary opinion,  
21 differences between the Nishiyama-produced slides and  
22 the Stuebing slides meant that they were not good  
23 substitutes for one another, resulting in attenuated  
24 competition. The majority indicated its intention to  
25 examine further the issue of interchangeability in the

1 final phase. Interchangeability indeed is a critical  
2 issue. And as we will show through the documentary  
3 evidence on the Commission's record, we submit that  
4 the lack thereof requires a negative determination.

5 The root of Norwood's problems with  
6 Stuebing's plastic eyelet slides began sometime in  
7 late 1999 or 2000. Stuebing no longer could source  
8 steel produced to the same specifications as it had in  
9 years past and the new steel almost immediately  
10 created problems in Norwood's ability to run the  
11 plastic eyelet slides. Norwood begins to document the  
12 problems and to register complaints with Stuebing.  
13 Norwood has provided its internal documentation as  
14 Exhibit 5B of its confidential pre-hearing brief.  
15 This picture of the Stuebing-made plastic eyelet slide  
16 that Stuebing was then supplying to Norwood and  
17 continued to supply into mid-2004.

18 In November 2000, Stuebing responds to  
19 Norwood's complaints, acknowledging steel as the root  
20 of the problem. Stuebing further acknowledged that  
21 "slight irregularities caused Norwood problems," quite  
22 different from Stuebing is claiming now. Finally,  
23 Stuebing recognizing that Norwood was experiencing  
24 more production difficulties than in the past.  
25 Stuebing, however, could not obtain the same kind of

1 steel that it used to and Norwood's problems with the  
2 plastic eyelet slides continued and worsened in 2001  
3 and 2002. Norwood has provided documentation of this  
4 in its confidential pre-hearing brief at Exhibit 5B  
5 and 6. Norwood tried to work around the problem, as  
6 you have heard, but only with limited success.

7 For its part, Stuebing shifts customer  
8 service tactics and places blames on Norwood's  
9 machines and operators and in July 2002 sends Norwood  
10 a letter, in which Stuebing threatens to begin  
11 charging for service calls. Norwood continues to  
12 experience issues not only with the plastic eyelet  
13 slides runnability, but in other aspects related to  
14 customer service. For instance, as these pictures  
15 show, Norwood received shipments in poor condition,  
16 which Norwood attributed to poor packing.

17 Conditions worsened in 2003, both in terms  
18 of Norwood's ability to run the plastic eyelet slides  
19 and in the relationship between Norwood and Stuebing.  
20 The problems become so acute that Norwood begins  
21 tracking them. And Norwood has provided documentation  
22 of this in Exhibits 9 and 10 of its confidential pre-  
23 hearing brief. Stuebing acknowledges that some of  
24 these problems are its fault, the root cause being the  
25 steel can no longer attain. For instance, Stuebing

1 admits to problems with softness, thickness, embedded  
2 tins, and issues associated with the steel grain.  
3 Stuebing, also, admits to problems with curling  
4 eyelets, shortages on orders, and failures to  
5 communicate. However, Stuebing again blames Norwood  
6 operators for supposedly overloading hoppers and not  
7 using the machinery correctly.

8 In early September 2003, Norwood notifies  
9 Stuebing that it has had enough and that it will only  
10 use Stuebing to supply custom orders. Notably,  
11 Norwood references the fact that Stuebing's tin is  
12 causing delays and jams. Price is not mentioned.  
13 Stuebing's response to this letter offers a lesson in  
14 how not to alienate your largest purchaser. Stuebing  
15 responds that Norwood's expression of dissatisfaction  
16 is "out of the blue" and the owners is "dumbfounded"  
17 perturbed. Stuebing states that it has tried to  
18 identify "the real reasons" for Norwood's low  
19 efficiency, insufficiently trained employees, and old  
20 machines. Yet, at the same time, Stuebing again  
21 acknowledges that the preferred steel specification is  
22 no longer available. All Stuebing proposes as a  
23 solution is for Norwood to replace or recondition its  
24 machines.

25 Nevertheless, a few weeks later, Stuebing

1 offers a new product to Norwood to address the  
2 problems with stacking and scratching, a plastic  
3 eyelet slide with a series of dimples. Sometime in  
4 October 2003, Stuebing provides Norwood with an  
5 enticing sample, slides used in "third and fourth  
6 world countries" with cutouts so sharp, Stuebing has  
7 had many problems with people being severely cut,  
8 subjecting it to lawsuits. By the way, those are the  
9 slides that Nishiyama makes, fortunately without the  
10 sharp cutouts and I believe without any lawsuits,  
11 barring this one. As you can see, the Stuebing slide  
12 has sharp edges and the grain of the steel is quite  
13 noticeable. In contrast, the Nishiyama slide has a  
14 smooth rounded edge and the steel grain is not  
15 visible. We will return to the differences in just a  
16 moment. Of course, Norwood has been running the  
17 Nishiyama slides by this point and has found no such  
18 problems. Indeed, Norwood has found that for its  
19 operation, the Nishiyama slides perform far better  
20 than the plastic eyelet ones do.

21 In early 2004, Stuebing submits an offer to  
22 supply Norwood that Norwood does not consider  
23 responsive to its request, as you have just heard.  
24 Norwood has provided that offer as Exhibit 20 of its  
25 confidential pre-hearing brief. Norwood begins

1 running the Stuebing-produced Japan-style slide. As  
2 you just heard, the product ran okay initially, but  
3 there were problems with the pain rubbing off and  
4 leaving smudges on calendars. Stuebing acknowledged  
5 that problem and agreed to look into correcting.

6 In the meantime, Stuebing and Nishiyama have  
7 been having back and forth communications that result  
8 in Stuebing visiting Nishiyama in the spring of 2004.  
9 Stuebing provided talking points for that meeting, in  
10 which it acknowledges that "the Japanese slides more  
11 effectively in the binding process than the American  
12 ones, which have plastic hangars on them." Stuebing  
13 acknowledges that it has "started improving its  
14 machines and introduced a new mold to produce the same  
15 slide as yours." While Stuebing may have copied the  
16 Nishiyama slide, it is clear that its inability to  
17 obtain steel of appropriate specification left its  
18 knock-off inferior and unacceptable to Norwood, which  
19 we will return to in a moment.

20 For now, we focus on what Stuebing, itself,  
21 acknowledged to be the differences between the plastic  
22 eyelet slides and the Japan-style slides. Stuebing  
23 states in the talking points for the meeting with  
24 Nishiyama, "our domestic clients reported that the  
25 U.S.-made slides with plastic hangars were superior as

1 finished products, even though Japanese slides had  
2 more effective productivity in the binding process.  
3 Our individual research shows the Americans generally  
4 prefer slides with plastic hangars." You, also, heard  
5 that repeatedly in the testimony from the Petitioners  
6 today. Note that Stuebing's threat case to the  
7 Commission presupposes that Nishiyama will take  
8 customers, who are currently purchasing calendar  
9 slides with plastic hangars. Stuebing's own research  
10 results contradict any likelihood of this occurring.  
11 Stuebing continues, "the items below show reasons why  
12 Japanese slides are superior to the U.S. ones on the  
13 productivity." Recall that Stuebing has claimed  
14 before this Commission that these are essentially  
15 commodity products. This statement and those that  
16 follow are definitive proof that they are not.

17 Stuebing continues, "Japanese slides are  
18 made of heavy material and have tough finish. They  
19 run from magazine into binding positions smoothly  
20 without bending. Japanese slides with wide width and  
21 round corner are installed more surely and easily  
22 detached from pickers. Japanese slides easily come  
23 into magazine of automatic binding machines. On the  
24 contrary, the U.S. slides get thicker with plastic  
25 hangar and metallic rivet, which fixes hangar on

1 slides and this excess thickness makes slides unstable  
2 in the middle and cannot be installed smoothly.  
3 Therefore, Japanese slides without plastic hangar and  
4 other attachments described before are superior to the  
5 U.S. slides in respect of productivity by automatic  
6 binding machine. This is a significant point for many  
7 calendar manufacturers, like the client in Minnesota.  
8 Almost all users and clients in the U.S. prefer the  
9 long and flexible plastic hangars." Those last two  
10 points further undermine the existence of a threat of  
11 injury. Finally, Stuebing notes, "the U.S. type of  
12 slide is touch and, on the contrary, center part of  
13 the Japanese slide is weaker, because the hangar is  
14 part of a slide. The Japanese slides with wide range  
15 need large amount of steel compared with the U.S.  
16 slides."

17 Stuebing asked Nishiyama whether sales of  
18 plastic hangar slides would be viable in Japan.  
19 Nishiyama responds that it does not think so, but it  
20 does express interest in selling slides directly to  
21 Stuebing. Nishiyama notes that it does not believe  
22 its slides are getting popular or are accepted in the  
23 U.S., but believes that might be possible if Nishiyama  
24 were to sell them to Stuebing. Stuebing responds,  
25 Stuebing indicates that for customers, who prefer the

1 Japanese style of slide, "naturally, we would order  
2 these from you." As to Norwood in particular,  
3 Stuebing proposes a solution to Norwood's desire to  
4 have two sources of supply. Well, not really.  
5 Stuebing will purchase 50 percent of Norwood's  
6 requirements from Nishiyama and supply them directly  
7 to Stuebing. Nishiyama will supply the remaining 50  
8 percent directly to Norwood. Stuebing asked Nishiyama  
9 to suggest pricing on the 50 percent that Stuebing  
10 would supply to Norwood. For the 50 percent that  
11 Stuebing proposes that Nishiyama will supply directly  
12 to Norwood, Stuebing suggests that Nishiyama pay  
13 Stuebing a commission, because after all, Stuebing  
14 will "be giving up the source of income." Nishiyama  
15 politely declines this invitation, noting that it is  
16 up to the customer to decide such things. Leaving all  
17 else aside, Stuebing's desire to purchase slides from  
18 Nishiyama to supply to Norwood leaves just one  
19 conclusion, Stuebing knew it could not produce a slide  
20 that was acceptable to Norwood.

21 What about defensive importing? Not on this  
22 record. Stuebing did not even know the price of the  
23 Nishiyama slides and for that reason asked Nishiyama  
24 to provide it with "the very best price levels at  
25 which you could supply us." And with specific

1 reference to Norwood, Stuebing asked Nishiyama for  
2 suggestions as to pricing on the 50 percent Nishiyama  
3 would provide to Stuebing to provide to Norwood.

4 Norwood continued to have problems with the  
5 Stuebing slides in the latter part of 2004 and  
6 continuing into 2005, well before Stuebing filed its  
7 petition. Stuebing characterizes these exchanges as  
8 evidence that its Japan-style slides were fully  
9 acceptable to Norwood, but the words speak for  
10 themselves. Stuebing's response to Norwood complaint,  
11 "can you please send some samples of the slides that  
12 are sticking, so that Bill can see them on Monday."  
13 Norwood responds to a separate and later request from  
14 Stuebing, "a statement per your request regarding the  
15 runnability of tin, we do not meet the rates that are  
16 expected of us all the time. We do experience time  
17 when things go well and other times when we struggle  
18 with the slides. I would rate the product as fair,  
19 but other times it is acceptable when we are meeting  
20 our goals." Norwood responds to a separate and later  
21 request from Stuebing, "per our conversation, we will  
22 accept the 300 pieces in a lighter material for this  
23 order." Norwood responds to a message from Stuebing,  
24 "if that is the only material available, we will  
25 accept it for this order." Far from ringing

1       endorsements.

2                   Given all that transpired between Norwood  
3       and Stuebing, can there be any doubt that Norwood  
4       means it when it says it will never resume purchasing  
5       slides from Stuebing? And can there be any doubt that  
6       Stuebing brought this case in an effort to use the  
7       U.S. trade laws to do just that? Thank you.

8                   CHAIRMAN PEARSON: Does that complete --

9                   MR. THOMAS: Mr. Chairman, that concludes  
10       our presentation.

11                   CHAIRMAN PEARSON: Okay. Mr. Secretary, for  
12       the record, can you advise whether all of these  
13       panelists have been sworn?

14                   MR. BISHOP: Yes, Mr. Chairman, this panel  
15       has all been sworn.

16                   CHAIRMAN PEARSON: Thank you. Just permit  
17       me to offer an opening word of welcome, particularly  
18       to Mr. Nishiyama, who not only has flown a very long  
19       way to get here, but has had to exercise extreme  
20       patience by sitting through proceedings in English.  
21       So, he is certainly to be commended. One other note,  
22       I believe I have in front of me three Minnesotans,  
23       which would be the largest number of Minnesotans I've  
24       had at a hearing in my three years at the Commission.  
25       I just wanted to express my welcome to you. It's very

1 brave of you to come to Washington at this time of  
2 year, instead of enjoying mid-summer around Sleepy  
3 Eye. With that, let me turn to Commissioner Lane for  
4 the first round of questions.

5 COMMISSIONER LANE: Thank you, Mr. Chairman.  
6 I need a clarification from Norwood. The binding  
7 machines that you have and are currently using, are  
8 part of them from Stuebing -- I mean, are they  
9 Stuebing manufactured or are they all the Nishiyama  
10 machines?

11 MR. HARRIS: All of the machines that we  
12 have now are manufactured by Nishiyama, but five of  
13 them were actually bought through Stuebing when  
14 Stuebing was reselling the Nishiyama machines. So,  
15 they had the Stuebing nameplate on them, but we found  
16 out subsequently, as a result of this, that they were  
17 actually made by Nishiyama. Those were purchased in  
18 the 1980s.

19 COMMISSIONER LANE: And when did you get the  
20 machines through Stuebing that you found out were  
21 Nishiyama?

22 MR. HARRIS: Those were in the 1980s.

23 COMMISSIONER LANE: In the 1980s?

24 MR. HARRIS: Yes.

25 COMMISSIONER LANE: And you are still using

1 those?

2 MR. HARRIS: Yes, we are, correct.

3 COMMISSIONER LANE: And so, right now, then,  
4 you've got machines that you bought -- some you bought  
5 from Stuebing and some you bought from Nishiyama and  
6 they are the same machines that you were using for the  
7 Stuebing metal slides and you are now using for the  
8 Nishiyama metal slides?

9 MR. HARRIS: Some of machines, the smaller  
10 sizes, have been with us ever since the 1980s and we  
11 were using for both. On the larger format machines,  
12 the Calamatics that Stuebing manufactured, didn't have  
13 enough pressure to seal the harder tin, so we had to  
14 replace those with Nishiyama machines in 2004.

15 MR. THOMAS: Commissioner Lane, to clarify  
16 this a little bit, in 2002 and 2003, Norwood had eight  
17 automatic binding machines. Five of those were sold  
18 to it by Stuebing, but they were, in fact, as it  
19 turned out, Nishiyama machines. The other three were  
20 the pneumatically-operated machines, designed,  
21 acquired, whatever, by Stuebing, and those were large  
22 format machines; that is, they were for wider  
23 calendars. Those machines were subsequently replaced  
24 with two Nishiyama machines, so that Norwood now has  
25 only Nishiyama machines in its automatic binding

1 department.

2 COMMISSIONER LANE: Okay, thank you. Now, I  
3 understand that you are saying that price was not a  
4 factor when you switched from Stuebing to Nishiyama.  
5 But, I understand that the product that you bought  
6 from Nishiyama was, in fact, lower priced. So, when  
7 you made your product and sold it to your end users,  
8 did you sell those products at a different or a lower  
9 price than what you were formerly selling your  
10 Stuebing product?

11 MR. HARRIS: No. We had actually -- we had  
12 a price freeze for two years for our products, so we  
13 froze all prices to the marketplace. We were trying  
14 to gain market share. We made up the differences,  
15 because, of course, we did have some interior price  
16 increases during that time, but we made up those costs  
17 through productivity increases. And so, we held  
18 prices on all calendars for two years.

19 COMMISSIONER LANE: Okay. When was your  
20 price freeze in effect?

21 MR. HARRIS: It was in 2004 and 2005.

22 COMMISSIONER LANE: And so, when you went,  
23 and correct me if I'm wrong, to the lower-priced  
24 Nishiyama product, you still -- and you made your  
25 finished product and you sold it into the marketplace

1 at the same price that you had been selling the  
2 Stuebing product?

3 MR. HARRIS: Yes. And our total  
4 productivity increases, as I said earlier, in 2003,  
5 were 20 percent productivity increases.

6 COMMISSIONER LANE: Okay.

7 MR. THOMAS: Commissioner Lane, I would  
8 mention there's BPI information in the record, which  
9 shows that the cost of a metal calendar slide is a  
10 very small part of the cost of the finished calendar.

11 COMMISSIONER LANE: Norwood argues on page  
12 42 of its pre-hearing brief that subject imports and  
13 the domestic like product are not substitutable from  
14 an economic standpoint. Can't the same argument be  
15 made for all dumped imports that cost significantly  
16 less than the domestic like product?

17 MR. THOMAS: Commissioner Lane, I suppose it  
18 could, but we go on in our brief to state that the  
19 reason that was true was the large productivity gain  
20 and the associated cost savings. And we, also, go on  
21 to demonstrate that, in view of the productivity gain,  
22 which directly affected labor costs, that gain was  
23 significantly larger than any measure of -- likely  
24 measure of change in price of the slides.

25 COMMISSIONER LANE: Okay. Now, I believe in

1 direct testimony, you said that there were 525 workers  
2 at the Sleepy Eye facility. Are all of those workers  
3 dedicated to the metal calendar slide industry?

4 MR. HARRIS: No, they're not. Of the 525 --  
5 our total business volume, 21 percent of our total  
6 sales is through the metal calendar slides. So, the  
7 525 work on all kinds of calendars.

8 COMMISSIONER LANE: Okay, thank you. On  
9 page 30 of Nishiyama's pre-hearing brief, you assert  
10 that Nishiyama's exports to the United States are not  
11 likely to depress or suppress domestic prices.  
12 However, the record shows that domestic industry raw  
13 material costs, mainly cold-rolled steel sheet, have  
14 increased significantly over the period of  
15 investigation, while the AUVs for U.S. shipments of  
16 domestic production have remained flat since 2003.  
17 Explain why you believe Japanese imports are in no way  
18 responsible for the domestic industry's inability to  
19 increase average unit values in light of these  
20 conditions of competition? And feel free to  
21 supplement your answer with any confidential  
22 information in your post-hearing brief, if you want  
23 to.

24 MR. THOMAS: Commissioner Lane, I would be  
25 happy to do so. I'd just point out that their AUVs

1 are not flat.

2 COMMISSIONER LANE: Okay. I'll look forward  
3 to reading your answer in your post-hearing brief.  
4 Okay. Petitioner claims that there are no substitutes  
5 for metal calendar slides in the United States, but  
6 that paper and plastic slides are used in other  
7 markets for binding calendars. In your view, are  
8 paper and plastic slides substitutable for metal  
9 calendar slides?

10 MR. HARRIS: I don't know the answer to  
11 that. I am not sure of the characteristics. I  
12 haven't seen either paper or plastic slides.

13 MR. THOMAS: Commissioner Lane, I believe I  
14 heard some testimony from Stuebing this morning that  
15 mentioned that they sell plastic calendar slides.  
16 That, frankly, is news to me.

17 COMMISSIONER LANE: Okay. If Nishiyama's  
18 slides truly are superior to Stuebing slides, wouldn't  
19 it be economically rational for Nishiyama to charge a  
20 price premium for them?

21 MR. MORAN: We can ask Mr. Nishiyama on how  
22 they set their prices for the U.S. market. But to be  
23 honest, they have no idea what the prices are in the  
24 U.S. market, so they don't know if they're charging a  
25 premium price and they have no way of knowing that.

1 But, any way, if you will allow me, I can ask Mr.  
2 Nishiyama how they set their prices for the U.S.

3 COMMISSIONER LANE: Okay.

4 MR. NISHIYAMA: Responds in Japanese and  
5 translates as follows:

6 MR. MORAN: He stated that the prices were  
7 used -- that prices used for the United States were  
8 basically the same prices that were used for Japan.  
9 They used their price setting mechanism for the  
10 Japanese market, which they simply converted from  
11 millimeters into inches and then applied an exchange  
12 rate and that's how they generated their price.

13 COMMISSIONER LANE: Okay, thank you. Mr.  
14 Chairman, I see that my red light is about to come up,  
15 so I will wait until my second round. Thank you.

16 CHAIRMAN PEARSON: Thank you. Could I  
17 follow-up with Commissioner Lane's questions by asking  
18 is the market for calendar slides in Japan quite  
19 competitive? Are there multiple producers?

20 MR. NISHIYAMA: Responds in Japanese and  
21 translated as follows:

22 MR. MORAN: There are a few other producers  
23 in Japan, so it is a competitive market.

24 CHAIRMAN PEARSON: Okay, thank you.

25 Attached to your brief, Mr. Thomas, is a video of the

1 tinning machines being operated at Sleepy Eye. Some  
2 of us had the privilege to be there while that was  
3 happening. And I noted that the video is a truncated  
4 version of what actually transpired. I wondered  
5 whether it might be possible for the record to provide  
6 us with the full version.

7 MR. THOMAS: We will certainly be very happy  
8 to do so. I simply felt that the Commission -- I  
9 think the full version probably goes half an hour or  
10 40 minutes, something like that, but that will be a  
11 bit much to submit.

12 CHAIRMAN PEARSON: I understand, there are  
13 the efficiency issues, in terms of how much we want to  
14 see. But the reason for making the request, perhaps  
15 we don't need the full version, but what I would be  
16 interested in is seeing the time when we were -- the  
17 machine was being run and not -- it was not adjusted  
18 well and it was having problems relating more to  
19 adjustment than to the quality of the slides.  
20 Because, I think it might be important for the  
21 Commissioners to understand that we're talking really  
22 about more than one issue in running the machines. I  
23 mean, the quality of the slides is important, but  
24 there are some other things, too.

25 And I note that you don't appear to have

1 brought any of the delightful ladies, who operated the  
2 machines, with you. They had some rather clear views  
3 on this issue. I was impressed by their competence  
4 when they realized the machine was out of adjustment  
5 and quite promptly going ahead and making the  
6 adjustments and getting it running, because they  
7 wanted to get on with the show, so to speak. And to  
8 the extent that was captured on video, I think it  
9 might be helpful for the Commission to have it.

10 MR. THOMAS: We will be very happy to do so.  
11 I'm just sorry that the sound level on that is so bad,  
12 it's very hard to hear what they're saying to you and  
13 you are saying to them. But, it was a bit of an  
14 amateurish work, but I think it is helpful. And we  
15 will certainly submit -- I'll get the entire thing,  
16 which I haven't seen myself and submit it.

17 CHAIRMAN PEARSON: Okay, thank you, very  
18 much. Mr. Haala or Ms. Shoen, it was indicated this  
19 morning by Stuebing that roughly three to four percent  
20 of their slides shipped to Norwood were rejected and  
21 returned. Do you agree with that basic number?

22 MR. HAALA: I am not exactly sure what the  
23 return rate is, the exact return rate, but I do know  
24 that the amount that was returned was a very low  
25 amount.

1                   CHAIRMAN PEARSON: And further to that, do  
2 you have any way to document the number of Stuebing  
3 slides that were run, but at relatively lower rates of  
4 productivity? I mean, ones that, in a perfect world,  
5 you might have just returned, but given the  
6 complications of timing and the need to get customer  
7 orders out, it was more efficacious for you to go  
8 ahead and run those slides at a reduced rate, rather  
9 than to return?

10                   MR. HAALA: Again, I do not have that  
11 information as to the total number.

12                   MR. THOMAS: I think that would be  
13 impossible to get. We have a couple of anecdotal  
14 pieces and I think a document that says, at some  
15 point, when they weren't getting the right kind of  
16 slides, they cut the ends off of one size, so they  
17 could use it for a calendar requirement. So, I think  
18 all we have are the production rate data that comes  
19 out of the MOS system.

20                   CHAIRMAN PEARSON: Okay. Ms. Shoen, I get  
21 the impression from the testimony this morning that  
22 you are a very capable and formidable negotiator.  
23 What criteria did you use in deciding to send some  
24 slides back to Stuebing for testing? Or you were  
25 having a problem with them, do you just keep running

1       them or do you send them back? How did you make that  
2       decision?

3                   MS. SHOEN: The decision was basically  
4       determined by what time of year it was. If we were in  
5       high-peak season, we didn't have time to send product  
6       back and wait for replacements on that. So, that is a  
7       very determining factor, if we send slides back to  
8       Stuebing to have them remade.

9                   CHAIRMAN PEARSON: Okay. Do you have  
10      experience with needing to reject some other calendar  
11      binding materials? Not talking about tin calendars  
12      now, but you have a wide range of calendars. Is there  
13      some experience with finding unacceptable product from  
14      other suppliers?

15                  MS. SHOEN: Yes. I do purchase the wire  
16      that we use for our spiral calendars. So, when we  
17      have defective product there, I'm aware of how to go  
18      through the process of returning that to our supplier.

19                  CHAIRMAN PEARSON: And how would you  
20      characterize how common those problems are relative to  
21      the problems that you have documented or discussed  
22      regarding tin from Stuebing?

23                  MS. SHOEN: If I compare tin to my return  
24      rate on wire, tin is very high.

25                  CHAIRMAN PEARSON: Okay. And do you use any

1 other calendar binding materials at Sleepy Eye, other  
2 than the tin and wire?

3 MS. SHOEN: Yes. We do have a plastic  
4 spiral that we use. We use stitching or, in layman's  
5 terms, like a stapled calendar. And, Warren, if you  
6 can give me further help on some of our other product  
7 lines.

8 MR. HARRIS: That's the major ones.

9 CHAIRMAN PEARSON: Okay. And if you are  
10 able to do this on the record fine; if not, perhaps  
11 you could for purposes of post-hearing. Give me some  
12 sense of how many calendars Norwood makes in a year  
13 and then what percentage of them are tin calendars.

14 MR. HARRIS: We make just over 100 million  
15 calendars a year. From a dollar standpoint, 21  
16 percent of them are tin calendars. From a unit  
17 standpoint, it's a little bit less than that, because  
18 the tin calendars are the bigger ones and more  
19 expensive. I don't really know the number, but I  
20 would speculate it's in the 13-14 percent range  
21 probably.

22 CHAIRMAN PEARSON: Okay. So, the calendar  
23 business obviously is extremely important for Norwood  
24 and the tin calendar subset is an important component  
25 between maybe a fifth and a sixth of the total

1 business.

2 MR. HARRIS: Absolutely.

3 CHAIRMAN PEARSON: Okay, good. There was  
4 discussion this morning of the March 2004 visit by  
5 Stuebing officials to Norwood, to demonstrate their  
6 integral eyelet slides. And I got the impression from  
7 Petitioners that that visit really went quite well.  
8 How would you characterize it? I mean, was it -- did  
9 it seem to be a point at which there was opportunity  
10 for further relationship between the firms? Things  
11 were going well? How would you characterize it?

12 MR. HARRIS: Mr. Chairman, let me try to  
13 respond to that, because none of the three of us were  
14 actually at that meeting. But, I did get a report of  
15 the meeting from Paul Smyth and Paul Smyth's report of  
16 the meeting had no recognition whatsoever from what  
17 was described this morning. And as you heard from  
18 both the maintenance people and the operators back in  
19 the tinning area, where there's no love of Stuebing as  
20 a supplier of product back there, I'm very doubtful  
21 that there was glee among the tinning operators and  
22 supervisors of the product that was there. So, I'm  
23 just very suspicious of his recollection of that  
24 meeting.

25 CHAIRMAN PEARSON: Okay. Commissioner Lane

1 discussed the issue of substitutability of the  
2 Nishiyama slides and the Stuebing slides. And I think  
3 I hear what you're saying, that they're not completely  
4 substitutable. But, yet, on a technical level, isn't  
5 it correct to say that they can be substituted, but  
6 just at some cost? So, your argument is, as an  
7 economic matter, they're not nicely substitutable?  
8 Mr. Harris?

9 MR. HARRIS: As an economic matter, they're  
10 not substitutable. My estimate is that it would cost  
11 us over half a million dollars a year in extra labor,  
12 if we went back to the Stuebing supplied plastic  
13 eyelet, than tin.

14 CHAIRMAN PEARSON: Okay. Thank you, very  
15 much, for that clarification. Any other comments?

16 (No verbal response.)

17 CHAIRMAN PEARSON: Okay. My light is  
18 turning, so Madam Vice Chairman, it's yours.

19 VICE CHAIRMAN ARANOFF: Thank you, Mr.  
20 Chairman. And I want to join my colleagues in  
21 thanking the afternoon panel for braving the humidity  
22 to join us here in Washington today. I would rather  
23 by a lake in Minnesota.

24 Let me start by asking you how have your  
25 customers received the integral eyelet?

1           MR. HARRIS: Madam Vice Chairman, I have not  
2 had a single complaint from a customer about the  
3 eyelet. The only comment that I've had from a  
4 customer is that with the plastic eyelet, it sort of  
5 bends like this. And so when you hang a calendar up,  
6 it sort of makes the top stick out just a little from  
7 the wall. And the only comment I've had from a  
8 customer is that the metal eyelet hangs flat or to the  
9 wall and so it looks nicer hanging.

10           VICE CHAIRMAN ARANOFF: Okay. When you made  
11 the switch, did you do any sort of advanced work with  
12 your customers to get them ready for the change? Did  
13 you ask them whether it was something they favored?  
14 Or did you just kind of send them the first batch?

15           MR. HARRIS: We just sent them the first  
16 batch. But, as you've seen through the testimony, we  
17 started off in smaller numbers. And if we had had  
18 some problems with the customers on that, we do listen  
19 to our customers and we would have stopped and  
20 considered if this is the right direction to go, if we  
21 had any complaints from our customers on this.

22           VICE CHAIRMAN ARANOFF: Have you done any  
23 formal surveys or just basically you felt that the  
24 product acceptance was sufficient that you didn't need  
25 to go out and do any kind of market research?

1                   MR. HARRIS: We've done no formal surveys.  
2                   But, Triumph Calendars has received the ASI best  
3                   provider award for six years in a row. So, we're  
4                   very, very well-known in the industry and we're the  
5                   only company -- we're the only calendar company, who  
6                   has ever received that award from the ASI show.

7                   VICE CHAIRMAN ARANOFF: Okay. In the  
8                   presentation this morning -- well, I want to make sure  
9                   -- some of the time line continues to go by so fast  
10                  that I find it a little bit hard to absorb. But, I  
11                  seem to get the sense from Stuebing's testimony this  
12                  morning that they feel a little misled, in that they  
13                  feel they had some encouragement to develop their  
14                  Japanese-style slide. And, yet, the testimony that I  
15                  heard this afternoon was by that time, there was  
16                  absolutely nothing that was going to persuade your  
17                  company to switch back. So, I'm trying to straighten  
18                  out, do you think that there were any actions that any  
19                  employee of your company took that either actively  
20                  encouraged Stuebing to develop a Japanese-style slide  
21                  or imply to them that if they could develop one, that  
22                  they might get some of your business back?

23                  MR. HARRIS: That's a tough question,  
24                  because of the time line and remembering exactly when  
25                  it happened, what. But, in dealing with Stuebing, he

1 testified earlier that most of the time, the customer  
2 is right. But, in all of the dealings that we've had  
3 with Stuebing during the time period I've been, we've  
4 never been right. They never gave us any credibility  
5 to any issue we brought up and I don't believe they  
6 were ever responsive to any of the complaints that we  
7 had. But, we did start off slowly, because, of  
8 course, we weren't sure of our new suppliers, as far  
9 as their ability to respond to our timing needs and  
10 whether their quality would hold up, et cetera. And,  
11 frankly, we had been held hostage by a monopoly  
12 supplier for a long period of time and I wasn't really  
13 anxious from going into one monopoly supplier to  
14 another monopoly supplier. And so having multiple  
15 sources of supply would have been a positive thing for  
16 us to have.

17 So, at least initially, I think we were  
18 hopeful that maybe Stuebing could make the correction,  
19 some corrections and improve the runnability of their  
20 product through our presses. But, their attitude  
21 never changed and they never really made any serious  
22 attempt. So, that was why in 2004 -- in 2003, we made  
23 an initial decision to start using some of the  
24 Japanese tin. In 2004, we made the final decision to  
25 go ahead and try to source all of our tin through the

1 Japanese suppliers.

2 VICE CHAIRMAN ARANOFF: Okay. I'm trying to  
3 understand, I guess, I understand your comment was  
4 that you had tested the new Stuebing product and, yes,  
5 it ran okay, ran fine, when it was tested, but that  
6 was a small amount. Did you ever go on to run it in  
7 larger amounts?

8 MR. HARRIS: Yes, we did and we do have some  
9 of the test results that were provided on that.  
10 Basically, the numbers that I remember was that the  
11 Stuebing tin with the plastic eyelets ran around 61  
12 percent. The Stuebing tin that they copied the style  
13 off of the Japanese tin ran about 67 percent, whereas  
14 the Japanese tin ran over 80 percent. So, it did make  
15 a performance improvement over the plastic eyelet, but  
16 it still wasn't up to the Japanese standard.

17 VICE CHAIRMAN ARANOFF: Okay, thank you.  
18 Does your company sell calendars solely in the United  
19 States or do you export?

20 MR. HARRIS: It's predominantly in the U.S.,  
21 but we do have a small amount of business that we sell  
22 in Canada. We sell a little bit in Puerto Rico. And  
23 then, we'll have a couple of customers -- we have  
24 20,000 customers, so our average order size is very  
25 small. And so, we do have a couple of customers that

1 will buy calendars from us from Australia and things  
2 like that. But, it's a predominantly U.S.-based  
3 company.

4 VICE CHAIRMAN ARANOFF: Okay, thanks. On  
5 this issue of the steel quality, I'm going to ask you  
6 this question and I guess it's also directed to  
7 Stuebing. It follows up on the questions I was asking  
8 this morning. We recently had, by coincidence, the  
9 tin plate industry in here within the last few months  
10 on a review of an order involving that product. And  
11 they told us that the demand from their main customers  
12 to make tin cans was declining, that it was a  
13 chronically declining market, and we got the sense  
14 that they would love to have customers, who wanted to  
15 buy their product. So, I'm a little confused of this  
16 idea that nobody could get the right quality of tin  
17 plate to make this product. That doesn't make any  
18 sense to me. Do you have any thoughts on that?

19 MR. THOMAS: Madam Vice Chairman, I think  
20 that all Norwood knows about that is what it's got in  
21 the communications from Stuebing, which is announcing  
22 that there is one problem or another with its sources.  
23 I think you will have to ask them to explain that.

24 VICE CHAIRMAN ARANOFF: I do, in fact,  
25 direct that question to them, as well, and hope

1 they'll add it to the answers to the questions that I  
2 posed this morning. Correct me if I'm wrong, but my  
3 impression was that at some point earlier than our  
4 current period of investigation, it was your company  
5 that originally asked for softer tin.

6 MR. HAALA: I can respond to that. That is  
7 correct, because, at one point, the tin or metal  
8 slides was extremely too hard, where it would not  
9 crimp properly. So, we did ask for softer. But,  
10 unfortunately, it went from one extreme to the other  
11 and then Stuebing was more directing what we were  
12 getting.

13 VICE CHAIRMAN ARANOFF: Okay. Did you ever  
14 provide a specific specification on the exact  
15 hardness?

16 MR. HAALA: Stuebing provided the  
17 specifications of what was available to them.

18 VICE CHAIRMAN ARANOFF: Okay, thanks. We  
19 have in our record, and I mentioned it this morning, a  
20 number of different sets of efficiency data for the  
21 operation of your tinning operation and they're not  
22 consistent, not measured the same way across the  
23 entire period that we're looking at. Do you have  
24 available to you data that would look consistently  
25 across the period?

1                   MR. THOMAS: Madam Vice Chairman, I will  
2 allow Warren to comment on that, but I've been waiting  
3 on this opportunity. Norwood would greatly appreciate  
4 it, if the Commission sends the staff up to Sleepy  
5 Eye, to look at the management operating system data  
6 that we reported in response to the Commission's  
7 questionnaire and to do an audit of that, this is  
8 production data, and to see if, in fact, it reflects  
9 what Norwood has reported. At the same time, they  
10 could have a discussion with the cost accounting  
11 people, who put together the efficiency report data,  
12 which is the other set of data that you're talking  
13 about. Now, I'll let Warren or somebody, who really  
14 understands it, explain the difference.

15                   MR. HARRIS: The efficiency data out of the  
16 cost accounting system is completely different than  
17 our MOS system is. Our MOS system is a system where  
18 we had the outside consultants come in, help us set  
19 rates that we could use as targets, and then we  
20 measure in two-hour intervals our productivity against  
21 those targets in the workplace, itself. The other  
22 efficiency measure you have is out of our MAC-PAC  
23 financial system that we have. In it, we have  
24 different standards. We have more operations  
25 involved. It's broader and it's a completely

1 different basis of calculation and it's just used for  
2 our financial report, but not for our labor  
3 productivity, like the MOS system is.

4 MR. THOMAS: Warren, if I understand it, the  
5 MAC-PAC data is also used for developing quotations to  
6 customers?

7 MR. HARRIS: Yes. The MAC-PAC and our  
8 financial system is also the basis that our estimators  
9 use when we do quotes for custom jobs.

10 VICE CHAIRMAN ARANOFF: Okay. One of the  
11 things I'm struggling with is because we don't have  
12 data that's comparable across the whole period.  
13 Should we be looking at that data at all? Should we  
14 be looking at your anecdotal description of the  
15 differences in terms of the number of operators and  
16 what they need to be doing on the floor? I'm  
17 struggling with how I can --

18 MR. THOMAS: One thing I would point to,  
19 Madam Vice Chairman, is that although the MOS data do  
20 not extend through the whole period of the POI, we do,  
21 in fact, have data over a significant period, in which  
22 both kinds of -- both the Stuebing and the Nishiyama  
23 slide could run. So, you do have a basis of  
24 comparability there.

25 VICE CHAIRMAN ARANOFF: Thank you. My time

1 is up, so I will come back to that. I appreciate it.

2 CHAIRMAN PEARSON: Commissioner Hillman?

3 COMMISSIONER HILLMAN: Thank you. And I,  
4 too, would join my colleagues in welcoming you all and  
5 thank you for traveling to be with us, particularly  
6 Mr. Nishiyama, we appreciate your willingness to  
7 travel. And if I could start by asking you a couple  
8 of questions. I know that at least at some point, you  
9 were a producer both of metal calendar slides, as well  
10 as the machinery in order to implement them. Are you  
11 still making the machinery?

12 MR. NISHIYAMA: Yes.

13 COMMISSIONER HILLMAN: Do you make both the  
14 cam machinery and the pneumatic air pressure machines?

15 MR. NISHIYAMA: No.

16 COMMISSIONER HILLMAN: Only the cam?

17 MR. MORAN: Only the cam.

18 COMMISSIONER HILLMAN: Okay, all right.  
19 Okay. Then, can you tell me what else does your  
20 company do besides the machines and the metal  
21 calendars?

22 MR. NISHIYAMA: Responds in Japanese and  
23 translated as follows:

24 MR. MORAN: They have several product lines.  
25 This was verified at the Commerce verification.

1 First, obviously, it's the metal calendar slides.  
2 They, also, make the binding equipment. They, also,  
3 resell finished calendars.

4 COMMISSIONER HILLMAN: Resell finished  
5 calendars.

6 MR. MORAN: They purchase -- they don't have  
7 a calendaring assembly operations, so they purchase  
8 calendars and then resell them in Japan. And they,  
9 also, sell a different type of calendar altogether,  
10 which is 365 days, where you just tear off the day, as  
11 a metal frame, but it's not a calendar slide, a  
12 subject calendar slide. But, they, also, have that  
13 product. In addition, they sell metal dog houses.

14 COMMISSIONER HILLMAN: Very interesting.  
15 Okay, thank you. I noted in response to Commissioner  
16 Lane, that you said that the prices for your product  
17 are basically determined in Japan, as I heard it,  
18 based on your cost of production; is that correct?

19 MR. NISHIYAMA: Responds in Japanese and  
20 translated as follows:

21 MR. MORAN: The prices were really simple.  
22 They just take their internal pricing schedule again,  
23 convert it from centimeters to inch, and then by an  
24 exchange rate, calculate to U.S. prices.

25 COMMISSIONER HILLMAN: And to the extent

1 that you sell in markets other than the U.S. and  
2 Japan, how are the prices in those third country  
3 markets determined?

4 MR. NISHIYAMA: Responds in Japanese and  
5 translated as follows:

6 MR. MORAN: Their only third country market  
7 is Hong Kong. Hong Kong would be the same.

8 COMMISSIONER HILLMAN: And the same thing?

9 MR. MORAN: Same exact.

10 COMMISSIONER HILLMAN: And in terms of how  
11 you determine what's the best price in Japan, how do  
12 you determine that? I understand, what you're saying  
13 is the prices in U.S. and Hong Kong are based on your  
14 Japan price. How is your Japan price set initially?

15 MR. NISHIYAMA: Responds in Japanese and  
16 translated as follows:

17 MR. MORAN: In the Japanese market, their  
18 internal pricing schedule. From that, that would be  
19 used as a base to negotiate with the customers off of  
20 their internal prices.

21 COMMISSIONER HILLMAN: Okay. So, they start  
22 with a price list and then engage in negotiations with  
23 their customers?

24 MR. MORAN: Yes.

25 MR. NISHIYAMA: Responds in Japanese and

1 translated as follows:

2 MR. MORAN: IT's based on the list.

3 COMMISSIONER HILLMAN: Okay. And then,  
4 basically, to get a U.S. price, it's purely a  
5 conversion, in essence, into inches and into dollars?

6 MR. NISHIYAMA: Responds in Japanese and  
7 translated as follows:

8 MR. MORAN: It's just a conversion process  
9 from their base schedule.

10 COMMISSIONER HILLMAN: How would you  
11 describe demand in the Japanese market for the metal  
12 calendar slides?

13 MR. NISHIYAMA: Responds in Japanese and  
14 translated as follows:

15 MR. MORAN: The market for metal calendar  
16 slides in Japan, it's not likely that it will grow  
17 significantly, but he does not -- he expects it to  
18 stay steady without any kind of meaningful drop off in  
19 demand.

20 COMMISSIONER HILLMAN: And as you may know,  
21 one of the allegations made is that the reason that  
22 the produce began coming into the U.S. was, in part,  
23 because of a decline in demand in Japan and,  
24 therefore, there was this excess volume of metal  
25 calendar slides that needed to find a home. I wonder

1 if you could respond to that?

2 MR. NISHIYAMA: Responds in Japanese and  
3 translated as follows:

4 MR. MORAN: The fall off in demand, the drop  
5 off in demand in the home market didn't lead to their  
6 intention to sell to the United States. It was  
7 Norwood, who contacted them.

8 COMMISSIONER HILLMAN: Okay. But, he would  
9 agree that there was a fall off in demand in Japan?

10 MR. NISHIYAMA: Responds in Japanese and  
11 translated as follows:

12 MR. MORAN: Yes, there's been a drop off.

13 COMMISSIONER HILLMAN: Okay. If I could,  
14 then, come forward to the folks from Norwood. Again,  
15 I'm trying to make sure I understand a couple of  
16 things. In response to Vice Chairman Aranoff, there  
17 was this issue of whether or not -- I'm trying to  
18 understand this issue of what caused, in your view,  
19 Stuebing to try to create this Japanese-style calendar  
20 slide. Was there a sense from your end that you had  
21 asked, in some way, for them to try to do that?

22 MR. HARRIS: Madam Commissioner, I'm  
23 assuming that probably what happened there, Paul Smyth  
24 was probably dealing with them and probably what  
25 happened there was he was probably asked what do we

1 have to do to keep your business and my speculation  
2 would be that he told them that you have to produce  
3 slides that perform for us. And then through further  
4 questioning, you know, why do the Japanese slides  
5 perform better than our slides and you talk about the  
6 different formats and it probably was a discussion  
7 leading that way. I don't believe anybody would have  
8 just come up and said, why don't you start making  
9 slides like this and knock off the Japanese version of  
10 it. I would expect it was probably through  
11 discussions about what it would take to keep our  
12 business.

13 COMMISSIONER HILLMAN: Okay. And, then, do  
14 you have a sense, and obviously the thing that  
15 everyone is struggling with is this issue of if the  
16 Japanese slides are, in your view, superior quality,  
17 superior runnability, superior all of these other  
18 things, what is your sense of then why are they still  
19 so low priced and why have they remained so low priced  
20 over the period of this investigation? You normally  
21 assume that a premium product conveys at least some  
22 notion of a premium.

23 MR. HARRIS: I think we said it earlier, but  
24 we were actually surprised when we got the first quote  
25 from them, because I was really expecting the price to

1 be a little bit higher. And, of course, we had to  
2 make a full economic decision. So, at some price  
3 point, we would not have bought those slides. And so  
4 when the prices came in less than we expected, we were  
5 very pleasantly surprised. But, I have no knowledge  
6 of why they would get what they were quoted to us at.

7 MR. THOMAS: Commissioner Hillman, you might  
8 think about it this way. Let's suppose that for many  
9 years, the only automobile sold in the American market  
10 was the Ford Pinto and there was no competition for  
11 the Ford Pinto. Now, my guess would be that in those  
12 circumstances, the price for the Ford Pinto might  
13 increase substantially. But, at the same time, there  
14 are other automobile makers out there in the world,  
15 who are competing with each other, who are selling  
16 cars at competitive prices. When the first car priced  
17 abroad at a competitive price comes into the United  
18 States, it might be a Lexus with a hell of lot higher  
19 quality than the Ford Pinto. My guess is, though, you  
20 would see this upside down price relationship. You  
21 might well -- you certainly could.

22 COMMISSIONER HILLMAN: The only issue for me  
23 is would it stay that way over time? I mean,  
24 presumably, once the Japanese product started coming  
25 in, I would assume that Mr. Nishiyama is aware that

1 his prices are significantly lower, becomes aware that  
2 his prices are significantly lower than the U.S. price  
3 and that you would normally see some form of price  
4 movement, either the U.S. price coming down or  
5 Japanese price going up. But, that's not what this  
6 record indicates.

7 MR. THOMAS: Well, it seems, though, that  
8 Mr. Nishiyama presumably is aware that there are other  
9 competitors on Japan and presumably others in the  
10 world, so that he believes he faces a competitive  
11 market.

12 COMMISSIONER HILLMAN: I don't know whether  
13 Mr. Nishiyama wants to comment.

14 MR. MORAN: Is there -- the red light is on.

15 COMMISSIONER HILLMAN: The issue is why have  
16 the prices from the Japanese product remain so much  
17 below the U.S. price.

18 MR. NISHIYAMA: Responds in Japanese and  
19 translated as follows:

20 MR. MORAN: Basically, they're a Japanese  
21 company and they're serving the market in Japan. So,  
22 they based all of their calculations on what is normal  
23 for them or what is reasonable for them. They see  
24 these prices as -- I'll switch from translation to  
25 attorney -- they see these prices as being quite

1 reasonable and there's no reason not to -- there's no  
2 reason to raise the prices more than is appropriate.

3 COMMISSIONER HILLMAN: Okay. I appreciate  
4 that response. Thank you.

5 CHAIRMAN PEARSON: Commissioner Koplan?

6 COMMISSIONER KOPLAN: Thank you. Let me  
7 pick up on that, if I could. There was testimony this  
8 morning in Mr. Szamosszegi's direct testimony, he said  
9 that the margins generally exceed 35 percent and that  
10 there wasn't -- and the Respondents do not contest  
11 that these levels are significant. And then in  
12 response to questioning, Mr. Blumberg said that they  
13 had offered to meet that price with Norwood, but they  
14 couldn't been it. And they mentioned that there was a  
15 35 percent discount off the list price that they  
16 offered and they couldn't beat it. And I guess I'm  
17 still trying to -- I hear what you're saying, but I'm  
18 trying to understand that if his -- given all of that,  
19 if the Respondents contend metal calendar slides  
20 produced by Nishiyama are superior to those produced  
21 domestically and, by extension, superior to non-  
22 subject imports. I still don't understand why they  
23 would fail to raise their prices on metal calendar  
24 slides sold to Norwood, when I hear Norwood say  
25 they're surprised that the price didn't go up. And

1 I'm just wondering, is there anything that I'm missing  
2 in your business relationship with Norwood that would  
3 prevent you from raising those prices? I mean, am I  
4 looking at a long-term contract here? What am I  
5 looking at?

6 MR. NISHIYAMA: Responds in Japanese and  
7 translated as follows:

8 MR. MORAN: There's no limit on their  
9 ability to raise prices, should they decide that.  
10 Also, I --

11 COMMISSIONER KOPLAN: So, they can do that?

12 MR. MORAN: They do sell -- yes. They do  
13 sell right now on a purchase order base. There is no  
14 long-term contract. There is no blanket order between  
15 Norwood and Nishiyama. Everything is done on a PO  
16 basis where everything is produced to order. So, at  
17 any time, they would be free to try to raise the  
18 price.

19 COMMISSIONER KOPLAN: Okay. So, then,  
20 they're selling at a price that even with a 35 percent  
21 discount offered off of their retail price, Stuebing  
22 can't meet it. Do you disagree with that? They're  
23 claiming in their direct testimony that that's the  
24 margin and that you haven't contested that those  
25 margins are significant. Is there any question of

1 that? I would like to hear from Mr. Nishiyama, if I  
2 could, Mr. Morgan. He's come a long way. I don't  
3 want to knock him off the -- respond to that.

4 MR. NISHIYAMA: Responds in Japanese and  
5 translated as follows:

6 COMMISSIONER KOPLAN: Now is this his  
7 response or the attorney's response?

8 MR. MORAN: This would be his response on  
9 this.

10 COMMISSIONER KOPLAN: I just want to make  
11 sure. Okay.

12 MR. MORAN: You asked the most eloquent  
13 questions and it's very difficult with my Japanese  
14 ability to translate.

15 COMMISSIONER KOPLAN: Oh, you're being too  
16 kind. But, I'll judge that when I hear the answer.

17 MR. NISHIYAMA: Responds in Japanese and  
18 translated as follows:

19 MR. MORAN: They have no way, one, of  
20 knowing the Stuebing price.

21 COMMISSIONER KOPLAN: Okay. But, I've just  
22 gone back to this morning's testimony. So, assume  
23 that that was the statement we heard this morning and  
24 that's why I'm looking for the answer.

25 MR. NISHIYAMA: Responds in Japanese and

1 translated as follows:

2 MR. MORAN: Again, this may -- this business  
3 practice may be difficult for them to understand, but  
4 they see themselves as a Japanese company with the  
5 Japanese -- servicing the Japanese market. So, they  
6 really haven't paid attention to the U.S. market, as  
7 far as pricing goes.

8 COMMISSIONER KOPLAN: But, he knows what it  
9 is now, based on today's testimony. That's why I'm  
10 asking the question.

11 MR. MORAN: It's too quick for them to  
12 decide things like that.

13 COMMISSIONER KOPLAN: Okay. And how about  
14 doing that for me in the post-hearing?

15 MR. MORAN: Okay.

16 COMMISSIONER KOPLAN: Thank you very much.

17 Mr. Haala, the difference in production  
18 efficiency rates with subject imported slides versus  
19 the domestic product is the basis for your argument,  
20 that any injury suffered by Stuebing was not caused by  
21 subject imports.

22 At the staff conference of July 20, 2005,  
23 you stated that, and I quote, "In the same February to  
24 March 2003 timeframe in which we had been conducting  
25 early trial runs of Nishiyama slides, Norwood and

1 Synergetics, a systems analyst and design consultant,  
2 conducted an analysis of production rates in among  
3 other areas the tinning department and identified  
4 production targets."

5 That's at the transcript at pages 96 to 97  
6 and it was reported again this afternoon in testimony.

7 Now, according to you, it was that data  
8 gathered by Synergetics that led Norwood to conclude  
9 that production efficiency was better provided by the  
10 subject imports than the domestic product.

11 Has the report from this consultant been  
12 supplied to us in its entirety? If not, would you do  
13 that for us?

14 MR. HAALA: I am not sure if it has, but we  
15 contract certainly provide that in the post-hearing  
16 brief.

17 MR. THOMAS: Mr. Commissioner, let me answer  
18 because we were asked to provide this report and we  
19 did, but I think --

20 COMMISSIONER KOPLAN: In its entirety?

21 MR. THOMAS: Yes, sir.

22 COMMISSIONER KOPLAN: Okay.

23 MR. THOMAS: But I think there's a  
24 misreading here of the testimony and I think it would  
25 be helpful if somebody would explain what it was that

1 Synergetics actually did because they did not do a  
2 comparative study of slide production. What they did  
3 was make a determination as to what an optimum slide  
4 reproduction rate would be and I'll let Warren explain  
5 that.

6 COMMISSIONER KOPLAN: Thank you, Mr. Thomas.

7 MR. HARRIS: What Synergetics did for us is  
8 they gave us a management operating system, a tool  
9 that we could use to see if we were operating  
10 efficiently or not. So they would go into each  
11 department, they would time each activity and they  
12 would put those timings together and say, okay, here's  
13 the optimal rate that you should run at and then they  
14 would add in times for breaks, et cetera.

15 At that time, they would take away all of  
16 the microstops, is what we call them, so when you have  
17 a machine running and there's a jam in the machine and  
18 it stops, it's called a microstop, so their targets  
19 wouldn't take into consideration the microstops. So  
20 we would have a target and then we would work to meet  
21 that target.

22 Because we were producing at 50 percent and  
23 below at that point, it highlighted that we had a  
24 problem and it was all the microstops and so we then  
25 had to start searching for the solution and the search

1 in this case was for materials that would work because  
2 all the microstops were being caused by jammings in  
3 the machine.

4 In other places, the microstops were caused  
5 by other things, but in this particular area, the  
6 microstops were caused by the jamming and the feeding  
7 of the ten strips there.

8 So we had the tool, Synergetics gave us the  
9 tool, but it was our internal management that used  
10 that tool to measure how we were doing, to identify  
11 problems that then we would follow up on and see if we  
12 could find solutions to the problems.

13 COMMISSIONER KOPLAN: Thank you, Mr. Harris.  
14 That's helpful. I appreciate that very much.

15 Let me stay with you, Mr. Haala, if I could.  
16 In response to the request for productivity data in  
17 the preliminary phase of this investigation, Norwood  
18 supplied staff the data used to construct what are our  
19 Tables D1 and D2 of the confidential staff report  
20 which sets forth your comparison of factors limiting  
21 and precluding interchangeability and tinning  
22 efficiency rate data from Norwood and Gordon Bernard.

23 However, in response to staff's request for  
24 data on efficiency rates in this final phase of this  
25 investigation, Norwood, it appears to me, would have

1 us rely on the recollection of personnel involved.  
2 I have read the e-mail exchange at Exhibit 26 of your  
3 brief, but I don't regard estimates from memory dating  
4 back several years to be a substitute for actual  
5 production data collected contemporaneously with the  
6 events.

7 I don't understand what problems, if any,  
8 exist with the data supplied by you in the preliminary  
9 phase. If you could elaborate further on this for me  
10 in the post-hearing, but I would welcome anything you  
11 might offer now.

12 Can we get the actual production data?

13 MR. HAALA: The two different data reports  
14 that were provided, let me explain the difference.  
15 There's the Mac Pac data which is very much like  
16 Mr. Harris mentioned earlier, it compares the earned  
17 versus reported hours. In other words, the amount of  
18 time that it should take based on meeting the required  
19 rate per hour the number of hours that it should take  
20 and then the reported hours is what it actually takes  
21 and the division of those two numbers is what the  
22 efficiency ends up being.

23 Now, again, as stated earlier, this was done  
24 at a different rate. Based on our quoting and  
25 estimating purposes, that is at a rate of 800, where

1 our MOS data is based on 900.

2 COMMISSIONER KOPLAN: Thank you very much  
3 for that, Mr. Haala.

4 Thank you, Mr. Chairman.

5 CHAIRMAN PEARSON: Commissioner Okun?

6 COMMISSIONER OKUN: Thank you.

7 I want to thank this panel for joining us  
8 this afternoon and particularly to you, Mr. Nishiyama,  
9 for your willingness to travel and to answer  
10 questions, and to you, Mr. Moran, you're doing a very  
11 good job translating. I appreciate that very much.

12 Mr. Haala, I want to ask you a few questions  
13 about the importance of price during the negotiations  
14 when Norwood was first considering purchasing from  
15 Nishiyama. This morning, we had an exchange with the  
16 Petitioners that it is their view of reading the  
17 exchange of you, Mr. Haala and Nishiyama that really  
18 the bottom line was all about price.

19 I wanted to give you a chance to respond to  
20 that here.

21 MR. HAALA: Thank you. I would like to  
22 clarify one item in there which does specifically  
23 relate to price. As mentioned earlier, my initial  
24 contact with Nishiyama was asking general questions  
25 about the availability of metal slides and metal

1 calendar binding machines. The only reference that  
2 was made to price, and this is the part I would like  
3 to clarify, was in the November e-mail that asked  
4 specifically about price for spare parts for the  
5 Stuebing machines which we later found to be the  
6 Nishiyama built machines.

7 MR. THOMAS: Commissioner Okun, I'll read  
8 the specific provision that we're concerned with here.  
9 there is a bullet point, this is Kevin's November 2,  
10 2002 e-mail to Nishiyama and it's Exhibit 4. The  
11 bullet point is as follows: "What is the  
12 compatibility of Nishiyama equipment with the Stuebing  
13 ACF machines?" These are the Stuebing binding  
14 machines that Norwood has. "Assuming there may be  
15 some compatibility," they didn't know they were  
16 Nishiyama machines, "are you able to stock parts for  
17 the ACF and, if yes, could you please provide a parts  
18 list with prices?" Talking about machine part prices.

19 COMMISSIONER OKUN: All right. I wanted  
20 that clarification.

21 And, then, Mr. Nishiyama, if I could turn  
22 back to you, at the time that this exchange was going  
23 on with Mr. Haala, as opposed to today when I assume  
24 you now know a lot more about pricing in the U.S.  
25 market than you may have then with the monopolistic

1 domestic producer, can you tell me for the record  
2 whether your company had asked any other customer in  
3 the United States, had solicited business from any  
4 other customer at that time or received any  
5 information about U.S. pricing at the time of the  
6 exchange with Mr. Haala?

7 MR. MORAN: No.

8 COMMISSIONER OKUN: Okay. And since that  
9 time, the Petitioners talked about the ability of  
10 Nishiyama to supply other customers and the fact that  
11 that's part of their argument with regard to price  
12 depression, the fact that Norwood is using your  
13 product prevents them from rising prices, but what  
14 I want to know is whether Nishiyama had solicited any  
15 other business in the United States since they got the  
16 Norwood contract.

17 MR. MORAN: They haven't contacted anyone  
18 other than Norwood.

19 COMMISSIONER OKUN: And, Mr. Nishiyama, has  
20 any other company in the United States contacted you  
21 asking you to price this product?

22 MR. MORAN: He doesn't think so, but I think  
23 we can check for the post-hearing brief. He doesn't  
24 read English, so we can check with BSI to see if there  
25 were any inquiries.

1           COMMISSIONER OKUN: Okay. And if there are  
2 any inquiries, if you could provide anything that's  
3 written on that for the record for post-hearing, that  
4 would be greatly appreciated.

5           MR. MORAN: We would be happy to.

6           COMMISSIONER OKUN: Okay. I appreciate  
7 that.

8           Mr. Harris, let me come back up to you.  
9 Now, going back to the exchange in '04 when Stuebing  
10 produces a different product, a Japanese spec product  
11 and their discussion of being asked to, I guess, re-  
12 bid or re-tender prices, because it's one of the  
13 things that I think that you hear people struggling  
14 about which is if it was a superior product for you  
15 productivity wise to use the Japanese specs and I want  
16 to talk about the differentiation between the  
17 products, but then we've also heard you say and  
18 I think it was in response to Vice Chairman Aranoff's  
19 questions about you didn't want to be stuck with  
20 another monopoly supplier, that you wanted to have two  
21 suppliers, is that consistent with what we hear you  
22 say about the Japanese being superior?

23           If you want two suppliers and they're  
24 running different things, aren't you going to have the  
25 same problems? If not, why not? How would you see

1 that?

2 MR. HARRIS: The only way that two suppliers  
3 would have been satisfactory is that both were  
4 satisfactory suppliers, so had Stuebing been able to  
5 come up with a product that performed in our machines  
6 well, then we would have probably retained them as  
7 part of our production.

8 COMMISSIONER OKUN: The two suppliers with  
9 the Japanese specs?

10 MR. HARRIS: Well, it didn't even have to be  
11 Japanese specs. We never specified the Japanese  
12 specs. What we got was a tin that worked in our  
13 machines and so any other tin that would have worked  
14 in our machines and would have been accepted by our  
15 customers would have been a suitable substitute, too.  
16 So we were just looking at the performance and the  
17 product that would go through our machines and reduce  
18 our labor and keep our labor rates down.

19 COMMISSIONER OKUN: Mr. Thomas, you look  
20 like you're grabbing a microphone? Okay.

21 And then to the extent that -- when you were  
22 commenting on why Stuebing's offer in the '04 period  
23 was not acceptable, I wanted to make sure I  
24 understood whether it was about whether they were  
25 doing it for 50 percent or 100 percent or 20 percent

1 because you talked about, I think, an RFQ and it may  
2 have been Ms. Shoen, I can't remember at this point,  
3 you were asking people to bid on the 20 percent, 40  
4 percent, 80 percent, 100 percent and that Stuebing's  
5 first offer back was unacceptable because they had  
6 these machines tied into it, but I think you also  
7 referenced the 50 percent, so I'm trying to make sure  
8 that it wasn't about the particular number -- well,  
9 I'm trying to make sure what was unacceptable, I  
10 guess.

11 MR. HARRIS: While Shelly's looking, let me  
12 talk a little bit about it. There were two or three  
13 things going on at that time. One thing, at that  
14 point in time, in the early part of 2004, we still had  
15 our Calamatic machines, which the Japanese tin  
16 wouldn't run on, so we still had to buy some amount of  
17 tin from Stuebing, the softer tin that those Calamatic  
18 machines would work on. At the same time, we were  
19 also still buying the short run custom kind of orders  
20 from Stuebing and then the third aspect was at the  
21 corporate level, our corporate had a new supply chain  
22 team and they were wanting us to for any major  
23 purchases, product categories, they were wanting us to  
24 go out with RFQs and have at least three bidders for  
25 the RFQs. And so part of the thing about the RFQs, we

1 actually went out to Stuebing and Nishiyama and then  
2 also a non-supplier in the U.S. that might be  
3 interested in getting in. And part of our response of  
4 doing that was in response to the corporate policy on  
5 getting RFQs and three bidders.

6 COMMISSIONER OKUN: Okay. Ms. Shoen, did  
7 you have anything to add to that?

8 MS. SHOEN: I do not at this time. Thank  
9 you.

10 COMMISSIONER OKUN: Okay. And so the fact  
11 that you were talking about the 50 percent -- or  
12 I guess my recollection that you were focused on what  
13 they bid on or how much they bid on, wasn't relevant,  
14 it wouldn't have mattered?

15 MS. SHOEN: Correct.

16 COMMISSIONER OKUN: Okay. I just wanted to  
17 make sure I understood that.

18 And then just in terms of -- you've been  
19 described today as a fussy customer, Ms. Shoen, in  
20 terms of what complaints you may have made about the  
21 Nishiyama product. I think you may have been asked  
22 this, but I'm not sure if I heard the answer, have you  
23 had problems with the Nishiyama product where you've  
24 send some back or asked them to use different steel or  
25 any of the other problems that you experienced with

1 Stuebing?

2 MS. SHOEN: I have not. I have not sent any  
3 product back to Nishiyama. I have no complaints about  
4 their product. Zero.

5 COMMISSIONER OKUN: Okay. My yellow light  
6 is on, so I think I'm finished with that.

7 Thank you, Mr. Chairman.

8 CHAIRMAN PEARSON: Commissioner Lane?

9 COMMISSIONER LANE: I just have a couple of  
10 questions.

11 When did you hire the company that came in  
12 and did an efficiency analysis of your operations?

13 MR. HARRIS: This is another one of those  
14 timing things because they actually started in April  
15 of 2003. I started in May of 2003, so I didn't  
16 actually bring them in. I came in at the middle of  
17 when that operation was going on.

18 COMMISSIONER LANE: And do we have that  
19 report in the record, of what that company found, as  
20 far as the efficiency?

21 MR. HARRIS: Yes.

22 MR. THOMAS: Commissioner, to clarify, if  
23 I may, what you have is a final report from that  
24 company which talks about in general what they did,  
25 what their tasks were, what the results were,

1 improvements that they expected to receive. That's  
2 what you have. Also, we also submitted the initial  
3 document at the time that project started so that  
4 gives you an indication of when it started, which, as  
5 I recall, was dated in March.

6 COMMISSIONER LANE: And that brings me to my  
7 other questions. I'm struck by that Norwood and  
8 Stuebing had this long relationship and then somewhere  
9 in the last two or three years, et cetera, the whole  
10 deal fell apart. So I'm wondering if the top  
11 management of Norwood changed about the same time that  
12 these problems with Stuebing came to light.

13 MR. HARRIS: The top management at Sleepy  
14 Eye and I came in in May of 2003, but Kevin Haala, who  
15 was here and experiencing the problems for a lot  
16 longer than that has been here for 20 plus years.

17 COMMISSIONER LANE: But as I understand the  
18 record, your company became private again in 1998 and  
19 was sold to Liberty Partners and so at that time, did  
20 some management change and is that why the efficiency  
21 experts were brought in? Is there any correlation  
22 between what the new management or the new company  
23 thought needed to be happening with your company as  
24 opposed to the old management?

25 MR. HARRIS: Okay. I'll try to get this

1 time line right because it's another fairly complex  
2 time line.

3 What you said is correct, but AUI, which was  
4 the calendar division, was not part of Norwood in '98.  
5 We weren't purchased by Norwood until 1999, so we  
6 joined Norwood in 1999.

7 Yes, there was management change at the  
8 Norwood level in 2002, they brought in a new  
9 president, new senior vice president of operations, a  
10 new CFO, et cetera. Yes, the corporation had a major  
11 focus on consolidation of sites, we had many sites and  
12 we've since then consolidated down to fewer sites, and  
13 productivity gains, so the Synergetics team that came  
14 through Sleepy Eye went through all the other major  
15 plants of Norwood, too, with a focus on productivity  
16 and improvements.

17 MR. THOMAS: Commissioner Lane, could I also  
18 suggest that we ask the gentleman who initiated the  
19 search for a new supplier if anybody directed him to  
20 do that?

21 Kevin?

22 MR. HAALA: Thank you. And, no, they did  
23 not. As mentioned earlier, the problems with Stuebing  
24 had been very longstanding. As I regularly -- and  
25 I go back over many, many years with my employment

1 with Norwood and previously with Advertising  
2 Unlimited, I would regularly attend trade shows and it  
3 was part of my responsibilities to be outsourcing  
4 better ways to do a job, better equipment, more  
5 efficient materials, et cetera, and it was through the  
6 course of time and the ongoing problems and as the  
7 problems continued to mount in the early 2000s, early  
8 in 2002, that we finally came across the contact for  
9 Nishiyama. Again, that was long before we had -- in  
10 fact, at that time, I had no knowledge of Synergetics  
11 coming in. It was before any of that began.

12 COMMISSIONER LANE: Okay. Thank you.  
13 That's all the questions I have.

14 CHAIRMAN PEARSON: I have a question for  
15 Mr. Thomas and Mr. Morgan.

16 If I could paraphrase the arguments that are  
17 presented by Petitioners, if you look at this case, we  
18 have volume effects, we have price underselling and  
19 Stuebing's earnings and other indicia of impact have  
20 not been positive. Doesn't this add up to injury by  
21 reason of less than fair value imports?

22 MR. THOMAS: Absolutely not. We are talking  
23 about a product and a situation in which there was a  
24 company in the United States buying a particular  
25 product for a production process not knowing there was

1 any alternative. It lived with that product for a  
2 great many years. It finally came to the point where  
3 it decided to go out and see if it could find an  
4 alternative somewhere. It did that. It found an  
5 alternative and at that point, at that point, the  
6 company found that the alternative produced  
7 productivity results that were of such a different  
8 character that the domestic product essentially was  
9 not competitive with the subject imports in this case.

10 So if you have a non-competitive product,  
11 the fact that the subject imports gained a share of  
12 total consumption in the U.S., were imported in  
13 volume, cannot be said to be injury that is being  
14 suffered by the supplier of the non-competitive  
15 product. The same for price underselling.

16 As I stated in my opening statement, what  
17 you have is what we might have technical underselling.  
18 We have a series of prices here and we have a series  
19 of prices there. The two products don't compete. You  
20 can look at the two sets of prices and say, yes, one  
21 is lower than the other, but that is not underselling.

22 With respect to Stuebing's earnings,  
23 et cetera, we've pointed out in our pre-hearing brief  
24 that if you study Stuebing's earnings on its U.S.  
25 sales they were actually making an astonishing amount

1 of money and we will be happy -- we have now got new  
2 numbers from Stuebing, we seem to keep getting new  
3 numbers, and we will provide a new demonstration of  
4 that with our post-hearing brief.

5 Then you have 2005. What happens in 2005?  
6 Well, everything changes. Stuebing removes a  
7 substantial amount of its production equipment, puts  
8 it down in Mexico, sets up a new operation, starts  
9 using that as a source both for sales and markets  
10 outside the United States and I can't say much more  
11 about that, but we also see massive and very strange  
12 changes in some of its numbers, changes that you  
13 wouldn't necessarily expect would have to be  
14 associated with such a move. And now some of those  
15 numbers, again, I say are changing and I'm not sure to  
16 what extent that may still be a moving target and may  
17 still be unresolved.

18 So my answer is no. We do not see the  
19 elements of injury by reason of the subject imports.

20 CHAIRMAN PEARSON: And, Mr. Morgan, would  
21 you add to that?

22 MR. MORGAN: Chairman Pearson, I only add  
23 that nothing has changed on this record since you  
24 issued your preliminary decision finding attenuated  
25 competition. If anything, I think the case for an

1       attenuated competition finding has become stronger  
2       based on the limited amounts of additional evidence  
3       that have come on through Stuebing's own statements on  
4       the lack of interchangeability of the products and  
5       I think now that we are at the final phase and there  
6       is no further information to be put on the record we  
7       would urge the remainder of the commission to join in  
8       and make that the majority decision.

9                 CHAIRMAN PEARSON:   Okay.  But if I could  
10       paraphrase what I think is part of your argument,  
11       I think I hear you saying that there would have been  
12       the same effects in the case even if the subject  
13       imports had been oversold.  In other words, if we were  
14       dealing with more than fair value product rather than  
15       less than fair value imports.

16                First of all, is that a correct  
17       characterization of your argument?

18                MR. THOMAS:  I'll take that in two steps,  
19       Mr. Chairman.

20                CHAIRMAN PEARSON:  Okay.

21                MR. THOMAS:  First of all, yes, if the  
22       imports were sold at fair value, e.g., at a price 3  
23       percent more than they're currently be sold at,  
24       absolutely, positively.  Let's take the hypothetical a  
25       step further and let's say what if the imports were

1 sold at exactly the same price as the domestic  
2 product? Or, for that matter, let's say 10 percent  
3 more.

4 My understanding from Norwood is, and from  
5 the productivity data that we have, is that even then  
6 there would be a very significant labor savings and  
7 cost savings associated with the purchase of the  
8 subject imports and so they definitely would have  
9 continued to buy the subject imports.

10 CHAIRMAN PEARSON: Okay. Can you cite any  
11 precedents for the post-hearing where the commission  
12 might have seen this type of fact pattern before,  
13 where in essence the argument is within -- and, I'm  
14 paraphrasing, but I think you're arguing that within a  
15 wide range of pricing the price of imports really  
16 doesn't matter here because the other factors are so  
17 important. Are there examples where the commission  
18 has kind of discounted the underselling that has been  
19 on the record and looked at pricing the way you  
20 described?

21 MR. THOMAS: We would be happy to address  
22 that in the post-hearing brief.

23 CHAIRMAN PEARSON: Okay. Thank you.

24 Just for clarification, there have been  
25 different references to Mr. Paul Smyth. Was he an

1 employee of Norwood for a period of time or was he an  
2 employee of Synergetics?

3 MR. HAALA: Mr. Chairman, Paul Smyth was an  
4 employee of Norwood. I hired him, so I came in in May  
5 and I hired him a couple of months after I came on  
6 board.

7 CHAIRMAN PEARSON: And he played some role  
8 in the dealing with Stuebing. If he were here, would  
9 he be saying the same things that you are or would he  
10 have a different story to tell?

11 MR. HAALA: No. If he were here, he'd be  
12 saying absolutely the same things that I'm saying. He  
13 was the supply chain director and he did have a  
14 purchasing manager that worked for him that oversaw  
15 the purchasing department. Because the Stuebing  
16 issues were so great, he became personally involved in  
17 those.

18 CHAIRMAN PEARSON: Okay. And you had  
19 indicated he came on board in 2003?

20 MR. HAALA: 2003. Yes.

21 CHAIRMAN PEARSON: And was there until 2005?

22 MR. HAALA: He was there about a year and a  
23 half. I don't remember exactly when he left.

24 CHAIRMAN PEARSON: Okay. Fine.

25 A question for Mr. Nishiyama. How do you

1 manage to get a consistent steel supply?

2 MR. MORAN: They have contracts with their  
3 steel suppliers that specify thickness and quality.

4 CHAIRMAN PEARSON: Okay. And is what we  
5 call in this country 55 pound weight steel, is that  
6 still available in Japan? That may not translate  
7 well. In that case, the post-hearing would be fine.

8 MR. MORAN: I think we could address that in  
9 the post-hearing brief, but what is on record  
10 regarding their steel purchases for the United States  
11 is that all their shipments were 0.19 millimeters, so  
12 there was no variance in thickness. They only use  
13 prime grade steel, so they don't use secondary grade  
14 steel. There are other aspects about their version of  
15 the secret Coca-Cola formula and how they actually  
16 obtain their steel and we can discuss that in the  
17 post-hearing brief.

18 CHAIRMAN PEARSON: Okay. Thank you.

19 My last question that I think will be brief.  
20 Did Stuebing ever supply any Japanese style slides to  
21 Norwood that had less of a V curvature and more of a U  
22 curvature, if that question makes sense? Not such a  
23 sharp angle, but more of a U angle so that the picker  
24 would separate them better?

25 MS. SHOEN: Yes. They did supply some of

1 the more U shaped than the V. That's like the exhibit  
2 here with the plastic eyelets. We'd call that like  
3 the V shape and others were more like -- we did have  
4 some with the U shape.

5 CHAIRMAN PEARSON: And did the U shape ones  
6 run better in the machines?

7 MS. SHOEN: Not to acceptable production  
8 levels that we were anticipating. There still was  
9 some sticking and the slides didn't run as well as the  
10 Nishiyama.

11 MR. THOMAS: I was just going to say the MOS  
12 data that we've submitted would seem to show about a  
13 10 percent productivity gain as between the original  
14 Stuebing plastic eyelet V shaped slides and the  
15 so-called Japanese specification slides.

16 CHAIRMAN PEARSON: That was not the  
17 question.

18 Mr. Haala, please?

19 MR. HAALA: I was just going to add that  
20 they were not identical to the Japanese version.

21 Yes, they were in a U shape, but they still  
22 were somewhat of a sharper U, more like the V. They  
23 also caused some sticking together, therefore causing  
24 feeding problems and inefficiencies.

25 CHAIRMAN PEARSON: Thank you very much.

1                   Madam Vice Chairman?

2                   VICE CHAIRMAN ARANOFF: Thank you,  
3                   Mr. Chairman.

4                   We've heard the phrase a number of times  
5                   today that the customer is always right and I've  
6                   always thought of that as a customer service motto,  
7                   which is to say that even if the customer is not right  
8                   you tell them they are anyway, but you know they might  
9                   not be.

10                  So I can understand a certain amount of  
11                  frustration with you as the customer being told that  
12                  your operators are no good and your machines are no  
13                  good and your practices are no good and all of those  
14                  things are causing a problem, but, Mr. Haala, as  
15                  I understand it, your job is to sort of think outside  
16                  the box and fix problems.

17                  Could any of these have been your fault?  
18                  Were you stacking the boxes too high and they were  
19                  squishing the slides? Were your machines too old?

20                  MR. HAALA: Madam Vice Chair, I would  
21                  address that by saying that I feel very confident  
22                  about our operation. Our operators are very highly  
23                  trained. As we bring new staff on, as Mr. Harris  
24                  mentioned, we do add a significant amount of staff on  
25                  a seasonal basis in the fall of the year. We have a

1 thorough training process for these individuals.

2 In regards to the equipment, we do go  
3 through the machines, as far as regular PM schedules  
4 and on an annual basis to replace any worn parts, so  
5 even our oldest machines are in what I would say is  
6 tip-top running shape.

7 I would also add the fact that the feeding  
8 and crimping issues that we experienced very  
9 frequently was highly caused by the variations in the  
10 slide material and not by the machines.

11 VICE CHAIRMAN ARANOFF: Okay. This morning,  
12 the Petitioners testified that the average useful life  
13 of one of these machines is probably somewhere under  
14 20 years and I think you testified that the five  
15 machines that you had that were Stuebing labelled  
16 Nishiyama machines, that those come from the '80s and  
17 so might perhaps fall outside that average operating  
18 life.

19 I understand you're telling me you maintain  
20 them well, but if I have a well maintained machine  
21 that's 20 years old, there may be a lot of innovation  
22 that even at its best it is not operating as  
23 efficiently as a new machine might.

24 You just bought some new machines. Have  
25 there been changes in technology that make them

1 operate better or differently?

2 MR. HAALA: Not really. The new machines  
3 that we bought are very similar to the older machines  
4 as far as the cam driven and cam operated. Again, the  
5 maintaining is a large part of it. The quality of  
6 material and reliability, consistency of material, is  
7 a large part of it.

8 MR. THOMAS: What was your experience with  
9 the Stuebing machines?

10 MR. HAALA: The Stuebing machines, the air  
11 driven machines or the pneumatic machines, were less  
12 reliable. They were not susceptible to running heavy  
13 material or any of the heavier gauge tin, therefore,  
14 in that respect once we acquired the Nishiyama large  
15 format machines, we removed the Stuebing air driven  
16 machines which were less than 10 years old.

17 VICE CHAIRMAN ARANOFF: Are you aware of  
18 what machines your competitors are running?

19 MR. HAALA: I could only speculate on that.  
20 To my knowledge, we are the only calendar manufacture  
21 in the U.S. that is using the new Nishiyama machines.  
22 I am not certain what the competitors are running.

23 VICE CHAIRMAN ARANOFF: Okay. Just  
24 following up on one of the questions with regard to  
25 the things that you did, one of the things that

1 Stuebing raised was that you might be stacking the  
2 boxes too high and that it was crushing the slide. Is  
3 that something that you looked into?

4 MR. HAALA: Yes, it is and I do not believe  
5 that that was a factor in causing damage to the  
6 slides. In our warehouse, as we bring the materials  
7 in, we have a multi-level rack that we do not stack  
8 pallets of tin on top of one another. Each one is on  
9 its own individual rack.

10 MR. THOMAS: Madam Vice Chairman, if I could  
11 clarify?

12 Kevin, I think the question has to do with  
13 stacking tin in the binder magazines.

14 MR. HAALA: Oh, I'm sorry.

15 VICE CHAIRMAN ARANOFF: No, actually, no.

16 MR. THOMAS: I'm sorry. Then  
17 I misunderstood.

18 VICE CHAIRMAN ARANOFF: As I understood it,  
19 the possibility was raised by Stuebing that you were  
20 stacking the boxes --

21 MR. HAALA: Causing the eyelet damage.

22 VICE CHAIRMAN ARANOFF: -- on top of each  
23 other so that the ones all the way down at the bottom  
24 were being compressed.

25 MR. THOMAS: Okay.

1                   VICE CHAIRMAN ARANOFF: So I think you  
2 answered me. Thanks.

3                   I think there's an argument made in one of  
4 the briefs, and I don't remember if it's Nishiyama's  
5 brief or Norwood's brief, that there seems to be a  
6 synergistic relationship between the machine and the  
7 calendar slide, that the Nishiyama ones seem to work  
8 well on the Nishiyama machine, they're made for each  
9 other, and I believe there was the assertion that  
10 that's probably true with respect to Stuebing slides  
11 and Stuebing's machines.

12                   Did you ever give serious consideration to  
13 trying different machines instead of different slides?

14                   MR. HARRIS: Madam Vice Chairman, let me  
15 address that. We did have three Stuebing provide  
16 Calamatic machines and the Japanese tin ran better on  
17 those machines than the Stuebing tin. The Stuebing  
18 tin didn't run well even on the Stuebing built  
19 machine.

20                   VICE CHAIRMAN ARANOFF: Okay. I appreciate  
21 that. I think I've asked that question about every  
22 possible way, so I'm going to move on.

23                   One last question. This came up this  
24 morning, Commissioner Koplan raised it, our recent  
25 decision in the artist canvas case. In that case,

1       there were some remarkable factual similarities where  
2       the largest domestic producer in that case lost a  
3       large customer, decided to move a good portion of its  
4       domestic production to Mexico in order to become more  
5       cost competitive. The commission found that that act  
6       of moving production to Mexico was actually evidence  
7       of injury because of the timing and the way that it  
8       happened.

9                   So I guess I would ask you either now or in  
10       your post-hearing can you address the artist canvas  
11       case and tell us whether those facially very  
12       significant similarities should lead us to look at  
13       this case the same way?

14                   MR. THOMAS: I'd be very pleased to at least  
15       address it on a preliminary basis here so that  
16       everyone can hear it.

17                   I think in the first place in the artist  
18       canvas case, the subject imports and the domestic like  
19       product were found to be "generally substitutable."  
20       The commission noted that the majority of importers  
21       and purchasers that compared bulk canvas from China  
22       with that from the United States reported that the two  
23       are always or frequently interchangeable. That is not  
24       the case here.

25                   Artist canvas was a consumable end product,

1 not a manufacturing input. Productivity was not an  
2 issue in that case.

3 Price was found to be a significant factor  
4 in artist canvas. Norwood is concerned primarily with  
5 the efficiency of its manufacturing process.

6 Domestic prices for artist canvas declined  
7 during the POI. Not true here.

8 The respondent importers in artist canvas  
9 relied on value products designed to undersell the  
10 competition. Not true here.

11 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
12 that answer and, obviously, if there is anything you  
13 want to add, feel free to do that.

14 Mr. Chairman, I think that those are all the  
15 questions that I have. Thank you.

16 CHAIRMAN PEARSON: Commissioner Hillman?

17 COMMISSIONER HILLMAN: Thank you.

18 A question, if I could, for Mr. Nishiyama.

19 We heard testimony this morning that at  
20 least for Stuebing their prices of their raw material  
21 inputs, particularly their tin mill products, have  
22 gone up fairly significantly in the last year or year  
23 and a half.

24 Have the prices that you pay in Japan for  
25 your tin product gone up as well?

1 MR. MORAN: From which period?

2 COMMISSIONER HILLMAN: My understanding from  
3 the testimony this morning is that the prices in the  
4 U.S. began to rise, say, the beginning of 2005, end of  
5 2004. Again, the price for tin products. The steel  
6 that is going into it.

7 MR. MORAN: It has increased.

8 COMMISSIONER HILLMAN: I'm sorry?

9 MR. MORAN: It has increased.

10 COMMISSIONER HILLMAN: Okay. And have you  
11 had to raise prices in Japan to cover those cost  
12 increases?

13 MR. MORAN: In 2005?

14 COMMISSIONER HILLMAN: Yes.

15 MR. MORAN: Prices were increased in 2005.

16 COMMISSIONER HILLMAN: And how is that done?  
17 Do you simply go out to your customers and explain  
18 that you need to raise prices because your raw  
19 material costs have gone up?

20 MR. MORAN: They inform the customers that  
21 the price for steel has increased and accordingly they  
22 have to raise their prices due to the increase in raw  
23 material costs.

24 COMMISSIONER HILLMAN: Okay. And how  
25 frequently is that done? In other words, you're

1 saying you sell on a purchase order basis, so how much  
2 of a time lag is there between the time that the steel  
3 price goes up to the time that you are able to get a  
4 price increase?

5 MR. MORAN: They would raise prices upon a  
6 significant change in the prices, but that isn't that  
7 often and the price would only change once per year.

8 COMMISSIONER HILLMAN: Once per year? And  
9 how much did the price go up in 2005 for your calendar  
10 slides as a result of the increase in the tin and  
11 steel?

12 MR. MORAN: I think that would be  
13 appropriate to respond in the post-hearing brief.

14 COMMISSIONER HILLMAN: Okay. And then if  
15 you could, because I know that data is confidential,  
16 to the extent that your testimony is that the prices  
17 in the U.S. market are a derivative or in essence a  
18 conversion from the Japanese prices and you're  
19 testifying now that the prices in Japan went up as a  
20 result of an increase in costs, why would our data  
21 show a decline in the prices of the product coming  
22 into the United States?

23 MR. MORAN: Again, this would be --

24 COMMISSIONER HILLMAN: Respond in the  
25 post-hearing brief.

1           MR. MORAN: -- in the post-hearing brief,  
2 but we also have perhaps exchange rate issues once it  
3 gets back over into dollars. That's something we  
4 would have to look at in the post-hearing brief.

5           COMMISSIONER HILLMAN: I would appreciate it  
6 if those could be addressed in the post-hearing brief.

7           With that, I have no further questions,  
8 Mr. Chairman, but thank you very much and thanks to  
9 all of the witnesses for your answers and your  
10 patience and your testimony. Thanks.

11           CHAIRMAN PEARSON: Commissioner Koplan?

12           COMMISSIONER KOPLAN: Thank you,  
13 Mr. Chairman.

14           Mr. Haala or Ms. Shoen, at page 40 of your  
15 brief, you claim that in the second quarter of 2004,  
16 and I'm quoting, "Norwood's average cost of producing  
17 a Stuebing slide bound calendar would have been  
18 greater than its cost of producing the calendar using  
19 subject import slides, even if the acquisition costs  
20 of the domestic production and the subject imports are  
21 identical."

22           In that sentence, you actually provide what  
23 the cost differential would be, but that is a  
24 confidential cost number that I can't refer to in the  
25 public session, but the acquisition costs are not

1 identical, so the four products for which we collected  
2 pricing data, the difference between your purchase  
3 price from Stuebing and your import costs for a  
4 comparable product exceeds the alleged production cost  
5 savings.

6 I'm referring to Tables 5-1 through 5-4 at  
7 pages 5-5 through 5-8 of the confidential staff report  
8 and those tables are confidential.

9 I fail to understand why the difference in  
10 production costs, rather than the difference in the  
11 cost of the slides, drove your purchasing decision.  
12 Could I hear from you on that?

13 MR. THOMAS: Mr. Commissioner, perhaps  
14 I could help with that.

15 COMMISSIONER KOPLAN: I'm happy to have you  
16 do that, but I just wondered if I could hear from them  
17 first, Mr. Harris or Mr. Haala.

18 MR. HARRIS: I'm not familiar with the  
19 numbers that you're talking about there, but we do  
20 have some numbers in there that are based upon our  
21 standards and our standards don't apply when we're  
22 running Stuebing tin. Our standards are made based  
23 upon two operators running a tinning machine. When we  
24 run Stuebing tin on the machine, we have to add a  
25 third person to keep pounding the stack, so if you

1 take a look at financials that are just based upon  
2 standards, you won't see the same savings that are  
3 real savings because we don't have to add the third  
4 person on there.

5 MR. THOMAS: Mr. Commissioner, that's what  
6 I was going to explain and there is another exhibit  
7 that does the calculation, taking account of the  
8 additional worker, and that is a much larger number.

9 COMMISSIONER KOPLAN: Okay. And that  
10 exhibit is which number?

11 MR. THOMAS: I'll have to find it and give  
12 it to you, sir.

13 COMMISSIONER KOPLAN: Thank you.  
14 I appreciate that, Mr. Thomas.

15 Let me stay with you, if I could.

16 Your brief alleges at page 55 that increased  
17 costs caused by rationalizing production rather than  
18 subject imports adversely affected Stuebing's  
19 profitability in 2005.

20 Now, I asked Stuebing this morning to  
21 distinguish short-term impacts of the restructuring  
22 from long-term increases in its cost structure. You  
23 claim, and I quote, that "These increases have nothing  
24 to do with the subject imports and Petitioners' 2005  
25 results therefore must be attributed to other factors

1 such as the costs and inefficiencies incurred whenever  
2 such a major restructuring takes place."

3 I think that you prepared your brief prior  
4 to the revision that we just recently got from staff,  
5 but if I determine -- if I determine -- that the  
6 restructuring was due to competition from subject  
7 imports, why in your view should these costs not be  
8 attributed to subject imports as a related factor?

9 MR. THOMAS: Mr. Commissioner, I would refer  
10 you to former chairman Brunsdale. That is exactly the  
11 question she addressed in residential door locks. I  
12 cannot say it any better than she did, which is  
13 essentially why would the commission assume that a  
14 manufacturer would pass up savings of the amounts that  
15 apparently can be achieved with respect to that  
16 movement to Mexico and they would do that and only  
17 make the move because of alleged dumping in the United  
18 States?

19 I think it's a very good question. Unless  
20 we throw the economic laws out the window, as  
21 Petitioners here seem to be saying that they are  
22 prepared to do, then you can make that kind of an  
23 argument, but I don't see any basis for buying it  
24 otherwise.

25 CHAIRMAN PEARSON: If Commissioner Brunsdale

1       were here today, I would ask her whether her opinion  
2       today would be the same today as it was 16 years ago,  
3       but since I have you, I thought I might raise the  
4       question with you instead.

5               MR. THOMAS: As I said, I would give you her  
6       answer, sir. I knew Commissioner Brunsdale and  
7       I think she would give you the same answer, but also,  
8       if I may, sir, in response to your question, the  
9       exhibit that I talked about earlier is Exhibit 15 of  
10      our post-hearing brief.

11             COMMISSIONER KOPLAN: I appreciate that.

12             I'm going to stay with you, I have another  
13      question for you.

14             In previous investigations, the commission  
15      has been reluctant to calculate margins of  
16      underselling in a comparison of import costs to sales  
17      or purchase price because importers may bear some  
18      costs that purchasers do not, such as maintaining  
19      higher levels of inventories in order to compensate  
20      for a longer or less certain delivery schedule.

21             In this case, however, a comparison of  
22      Norwood's direct import costs to its purchase price  
23      for the domestic production would seem to be the most  
24      direct price comparison. Stuebing uses this data to  
25      calculate margins of underselling that are reported in

1 Table 1 at page 14 of its brief.

2 I know you would have us find that the  
3 products are not substitutable, but if we compare  
4 prices between the domestic products and subject  
5 imports, do you agree that using direct import costs  
6 is the proper comparison?

7 MR. THOMAS: Mr. Commissioner, that is a  
8 very eloquent and complicated question. With your  
9 leave, we'll respond to that in our post-hearing  
10 brief.

11 CHAIRMAN PEARSON: Certainly.

12 Mr. Haala, are there costs associated with  
13 your importation of the Nishiyama slides that are not  
14 captured in your reported prices and, if so, can you  
15 estimate these costs?

16 MR. HAALA: I am not aware of those costs.  
17 I could not estimate those at this time.

18 COMMISSIONER KOPLAN: Could you check and if  
19 there are, submit them post-hearing?

20 MR. HAALA: Certainly we can. We certainly  
21 will.

22 COMMISSIONER KOPLAN: Thank you very much.  
23 I appreciate that.

24 This is for Mr. Nishiyama, Mr. Moran.

25 This morning, Mr. Gavronsky asserted that

1 Norwood uses primarily just a few standard sizes of  
2 calendar slides. These include 17 inch, 18 inch, 20  
3 inch and 22 inch slides.

4 Are these slides produced by Nishiyama in  
5 metric sizes that are the same lengths? Are there  
6 slides produced by Nishiyama in metric sizes that are  
7 the same length as these slides that I've just  
8 described?

9 MR. MORAN: If you would allow me to respond  
10 to that, I think we can respond to that based off of  
11 the Department of Commerce record, which verified the  
12 production and inventory records, so we should be able  
13 to tabulate that for you in the post-hearing brief.

14 COMMISSIONER KOPLAN: I would appreciate  
15 that. And when you do, could you break out for me how  
16 much of his reported inventory is in those particular  
17 sizes.

18 MR. MORAN: The reported inventory, there  
19 would be none right now that would be inventory that  
20 could be sold to the United States based on the  
21 Commerce record. In the Department of Commerce  
22 proceeding, we had to report separately our inventory  
23 for the United States and our inventory for Japan.  
24 Because everything for the United States market was  
25 produced to order, there might be on a particular

1 month a small amount left over because of the timing  
2 of the shipment, but there was no pattern of  
3 inventory. So at the end of the year, the inventory  
4 for the United States was zero because it was just a  
5 build up until they were able to ship. And Commerce  
6 did verify whether the inventory that was for Japan  
7 was for Japan and in metric numbers, but I will be  
8 happy to supplement that in the post-hearing brief.

9 COMMISSIONER KOPLAN: Thank you very much.  
10 I appreciate that.

11 This is just a follow-up to a question that  
12 Commissioner Okun had asked earlier and that involved  
13 the cost increase and higher prices for calendar  
14 slides sold in the U.S. because of the alleged concern  
15 that a price increase would cause one or more of the  
16 remaining customers to switch to Nishiyama and you  
17 were going to go back and check and see, I believe,  
18 whether or not Nishiyama has ever been approached or  
19 has approached any firms other than Norwood and  
20 I would only ask that I'm particularly interested in  
21 the period when you do that check since July 20, 2005,  
22 which was the date of our staff conference. That  
23 particular period is of particular interest to me.

24 MR. MORAN: I am aware of no such  
25 correspondence, but I will be happy to check.

1 COMMISSIONER KOPLAN: Thank you.

2 I appreciate your answers to my questions.

3 I have nothing further.

4 Thank you, Mr. Chairman.

5 CHAIRMAN PEARSON: Madam Vice Chairman, did  
6 you have further questions?

7 Commissioner Hillman?

8 Commissioner Lane, did you have further  
9 questions?

10 Seeing no questions from the dias, do  
11 members of the staff have any questions?

12 MS. MAZUR: Mr. Chairman, staff has no  
13 questions.

14 CHAIRMAN PEARSON: Does Petitioners' counsel  
15 have any questions?

16 Mr. Goldberg?

17 Please, can you use the microphone?

18 MR. GOLDBERG: Would you prefer that I do  
19 that here or over at the podium? I'm happy with  
20 whatever is the preference of the chair.

21 CHAIRMAN PEARSON: You do have questions?  
22 You may at your discretion either do it from the table  
23 or from the podium, as you prefer.

24 MR. GOLDBERG: Roy Goldberg again for the  
25 Petitioner.

1           Ms. Shoen, you were here last summer for the  
2     prelim. Is that correct?

3           MS. SHOEN: That is correct.

4           MR. GOLDBERG: And on page 108 of the  
5     transcript, when you were giving your statement, you  
6     referred in your testimony to the March 4, 2004 visit  
7     by Stuebing to the Sleepy Eye facility. Is that  
8     correct?

9           MS. SHOEN: That is correct.

10          MR. GOLDBERG: And you stated there in your  
11     testimony on page 108, line 9, "They ran a few samples  
12     on a Norwood machine, which remarkably demonstrated no  
13     immediate problems." That was your testimony that  
14     day?

15          MS. SHOEN: Yes.

16          MR. GOLDBERG: Now, were you or were you not  
17     actually at the site with Stuebing when they were  
18     running the slides?

19          MS. SHOEN: I was present.

20          MR. GOLDBERG: Okay. And in fact, they ran  
21     thousands of slides that morning? Isn't that correct?

22          MS. SHOEN: I wasn't there for the full --  
23     what was it, 22,000 pieces? I wasn't present for the  
24     full run that they said -- did they say two boxes of a  
25     certain size and two boxes of another size? I was not

1       there for the entire run.

2                   MR. THOMAS: Shelley, are you relying on  
3       their testimony for what you're assuming with respect  
4       to the number of slides run?

5                   MR. GOLDBERG: I'd like the witness just to  
6       answer the direct question, if I may. I think she  
7       has, but I have a follow-up question, which is let me  
8       get this clear: for part of the time that the  
9       Stuebing slides were running on March 4th, you had  
10      left the floor and were doing something else?

11                  MS. SHOEN: Yes.

12                  MR. GOLDBERG: As far as you know, it was  
13      indeed more than a few samples that were run that  
14      morning. Isn't that correct?

15                  MS. SHOEN: That is correct.

16                  MR. THOMAS: She's answered your question  
17      with respect to that.

18                  MR. GOLDBERG: She has.

19                  Now, Mr. Haala, let me make this very clear.  
20      Your testimony, and I'm at a disadvantage, I don't  
21      have BPI material with me today, but we will submit  
22      this in the brief, but I want to be very clear. Your  
23      testimony is that on November 2nd and November 8th of  
24      2002, on neither one of those days did you have faxed  
25      or other communications with Nishiyama relating to the

1 prices of slides, metal calendar slides. That's your  
2 testimony? No discussion with Nishiyama regarding the  
3 price of slides?

4 MR. HAALA: That is correct.

5 MR. GOLDBERG: Now, Ms. Shoen, this e-mail  
6 of May 6th, I'll give you another copy, this is an  
7 e-mail that you sent to Pam Ramp with respect to what  
8 you had seen Stuebing slides being operated that day  
9 at the Norwood facility. Is that correct?

10 MS. SHOEN: That's correct.

11 MR. GOLDBERG: And in that e-mail you said  
12 nice things about the runnability of the slides. Is  
13 that right?

14 MS. SHOEN: That's what was stated.

15 MR. GOLDBERG: You did write the e-mail,  
16 didn't you?

17 MS. SHOEN: Yes, I did.

18 MR. GOLDBERG: In fact, that's what you  
19 stated that day.

20 MS. SHOEN: Yes.

21 MR. GOLDBERG: And you didn't say anything  
22 there about the Norwood employees rising up in protest  
23 because they detested Stuebing and its slides so much  
24 in that particular e-mail, did you?

25 MS. SHOEN: No, I did not. Pam and I had

1 daily conversations and this was an incidence where  
2 Pam requested that I send an e-mail. When I went to  
3 the operating floor and questioned the operators about  
4 the runnability, at that time, they were running some  
5 slides that were acceptable, but there were many times  
6 that I talked to Pam where it was unacceptable, but  
7 she never asked me for e-mails about those.

8 MR. GOLDBERG: But in this particular  
9 e-mail, you just referred to runnability. In fact,  
10 you made comparisons between the Japanese slides and  
11 the U.S. slides and, based on what the operators told  
12 you, the comparisons were that "They also commented  
13 that after the calendars tinned with Stuebing tin  
14 versus Japanese tin, the Stuebing calendars stacked  
15 better, for example." That was true when you said  
16 that, wasn't it?

17 MS. SHOEN: Yes, it was, but that's not part  
18 of the manufacturing process. That's the end process,  
19 after the calendars are collected at the end of the  
20 machine.

21 MR. GOLDBERG: You did in March 2004, your  
22 company did ask Stuebing to tender prices to supply  
23 calendar slides. Is that correct?

24 MS. SHOEN: That is correct. There was a  
25 request for quotes sent out to three suppliers:

1 Stuebing, BSI and another U.S. company.

2 MR. GOLDBERG: And you also asked in June  
3 2004 you told Mr. Gavronsky he could submit a re-  
4 tender and this was after you had told him the  
5 Nishiyama prices. Is that correct?

6 MS. SHOEN: I never told Mr. Gavronsky the  
7 prices. At that time, we had 230 parts. There's no  
8 way that I could have rattled off all the part pricing  
9 and he couldn't have remembered all of those.

10 MR. GOLDBERG: It's your testimony that you  
11 did not tell him anything about Nishiyama prices?

12 MS. SHOEN: No.

13 MR. GOLDBERG: Now, Mr. Haala, let me ask  
14 you, one of the things I've heard was that you  
15 resented -- your company resented the fact that  
16 Stuebing suggested maybe you should replace a couple  
17 of what they called worn out machines. Is that  
18 correct?

19 MR. THOMAS: Wait a minute. I'm going to  
20 interrupt you. I never heard Mr. Haala use the word  
21 resent. Where is that in the testimony?

22 MR. GOLDBERG: That's fine. I'll accept  
23 your reference. The record will show that Norwood  
24 does not resent the fact that Mr. Gavronsky or  
25 somebody else suggested you replace the machines, but

1 in fact you did replace machines in 2004 that were  
2 worn out.

3 Isn't that true, Mr. Haala?

4 MR. HAALA: That is correct. We replaced  
5 two machines in 2004 to replace the Calamatics, which  
6 are the Stuebing machines, which were not capable of  
7 operating at the expectations that we expected as well  
8 as running the Stuebing tin.

9 MR. GOLDBERG: The examples that you brought  
10 here of complaints which had been BPI before but  
11 I understand are no longer, those were all dated after  
12 the antidumping petition was filed. Isn't that  
13 correct?

14 MR. GOLDBERG: Anybody familiar with the  
15 complaints that are up on this table here? Ms. Shoen,  
16 for example? They're all dated after June of 2005.

17 MR. THOMAS: They may or may not be. You  
18 have the evidence in front of you. You can say what  
19 you want about it in your brief.

20 (Away from microphone.)

21 CHAIRMAN PEARSON: Please. Please utilize  
22 the microphone, Mr. Goldberg.

23 MR. GOLDBERG: I will. I will. Thank you.  
24 Well, who did those complaints? Who filled them out?  
25 Anybody here? Michelle, anybody here, or is it

1 somebody else?

2 MS. SHOEN: None of us here at the table  
3 have filled out those complaints. They should have  
4 signatures on the bottom, and that person is not  
5 present.

6 MR. GOLDBERG: And again, those complaints  
7 were all done after the anti-dumping petition was  
8 filed, in fact, after the preliminary decision came  
9 down.

10 If I may ask a final question for Nishiyama.  
11 And, Mr. Moran, this is a document from you, so you  
12 could either ask your client if it would be good  
13 enough or you can answer. In a public filing with the  
14 Department of Commerce, didn't Nishiyama state due to  
15 the difficulty in procuring steel of particular  
16 thicknesses, Nishiyama produces its slides using the  
17 steel available in inventory at the time and therefore  
18 cannot accept requests for particular steel thickness?  
19 Isn't that the position taken at Commerce?

20 MR. MORAN: That is correct, but  
21 nevertheless, all our shipments to the United States  
22 were 0.19 millimeters.

23 MR. GOLDBERG: Thank you.

24 CHAIRMAN PEARSON: Thank you. In releasing  
25 this panel, I would just like to thank you very much

1 for your patience and your responses to the questions  
2 from me and my colleagues here at the dais and also  
3 for your responses to Mr. Goldberg. He knows many  
4 things. He has not spent enough time in the upper  
5 Midwest to be fully familiar with the concept of  
6 "Minnesota Nice". You're excused.

7 MR. THOMAS: Thank you very much.

8 CHAIRMAN PEARSON: Okay. Time remaining.  
9 Let's see. The Petitioners have nine minutes total  
10 remaining, five minutes for closing and four minutes  
11 yet for rebuttal. Respondents have 10 minutes total,  
12 five for rebuttal and five for closing. How would  
13 counsel prefer to utilize the time? Would you like to  
14 split it up and do rebuttal separately from closing,  
15 or would you prefer to do it in a combined manner?

16 MR. THOMAS: I'd like to do it in a combined  
17 manner, sir.

18 CHAIRMAN PEARSON: And do you expect to  
19 utilize all 10 minutes for closing?

20 MR. THOMAS: I do not.

21 CHAIRMAN PEARSON: Okay. And let's see. We  
22 would first have Mr. Goldberg. The Petitioners would  
23 go first, yes. Okay. And, Mr. Goldberg, is it your  
24 intention to use the full nine minutes?

25 MR. GOLDBERG: I don't think so, but I'm not

1 the best judge. I thought I had five minutes, and  
2 that's what I was planning on.

3 CHAIRMAN PEARSON: Well, you did not exhaust  
4 all of your time for rebuttal, and so I'm offering the  
5 --

6 MR. GOLDBERG: I will use five minutes for  
7 closing, four minutes for rebuttal.

8 CHAIRMAN PEARSON: Very well.

9 MR. GOLDBERG: Thanks.

10 CHAIRMAN PEARSON: Do you wish to proceed  
11 from the table or from the podium?

12 MR. GOLDBERG: Podium.

13 CHAIRMAN PEARSON: Okay. Fine.

14 (Pause.)

15 MR. GOLDBERG: Once again, Roy Goldberg for  
16 Petitioner. I want to thank members of the Commission  
17 and their staff and staff of the Commission for their  
18 attention to this important issue today.

19 To state the obvious, the decision of the  
20 Commission needs to be based on all of the tangible  
21 evidence, circumstantial evidence, on the record that  
22 you find credible.

23 Now people can call things all kinds of  
24 things, but certainly there's an injury here. That's  
25 why the Petitioner came to the anti-dumping laws.

1 That's why the case was filed. Every case I've seen  
2 there's always the claim by Respondent that Petitioner  
3 really isn't injured, but I'm not going to spend much  
4 time on that. I think that's pretty obvious from the  
5 financials. Also, the underselling as well, and it's  
6 pretty apples to apples.

7 So much of this case comes down to then the  
8 challenge. Mr. Thomas first took issue, I thought it  
9 would be something in our brief, but it wasn't. It  
10 was with the staff. And he is challenging, and I  
11 respect his right to do that, this issue of whether  
12 there is even a moderate degree of substitutability.  
13 Their case all along has been there is no  
14 substitutability. These slides are completely  
15 separate, sophisticated in their own way, especially  
16 the Nishiyama ones, and there's no interchangeability.

17 And we submit that that's just contrary to  
18 the record evidence. It's contrary to what the staff  
19 found. Yes, we think they're more interchangeable  
20 than the staff even said, but to say they're not  
21 interchangeable.

22 And there's a lot of mix and match and  
23 confusion because, you know, they bring in complaints,  
24 they bring in pictures, they bring in issues dealing  
25 with the plastic slide. And just to be clear, Mr.

1 Gavronsky did not say that they sell plastic slides.  
2 It was a shorthand phrase to the plastic eyelet.

3 So yes, we do have that differentiation in  
4 time. We have the plastic eyelet phase and then we  
5 have the non-plastic eyelet, the integral eyelet  
6 phase. And the testimony that is credible is that  
7 these were comparable and they were substitutable.

8 And yes, after an anti-dumping case is  
9 filed, they come up with non-independent, non-third  
10 party, what they call efficiency data or productivity  
11 tests or whatever to prove their points. But once  
12 again, there's no third party involved. I think Mr.  
13 Blumberg's testimony was very eloquent on the issue of  
14 how subjective things can be, who's placing the tin in  
15 the machine and what the issue with that is. What's  
16 the size of the calendar? What's the paper of the  
17 calendar look like here?

18 We have an impression given today that  
19 Norwood just, you know, for years wasn't really doing  
20 anything and taking it on the chin from this terrible  
21 supplier and that Nishiyama is sitting back in Japan  
22 and just a Mom-and-Pop operation. And, you know,  
23 these are aggressive, hard-nosed competitors, and  
24 they're aggressive and hard-nosed in this litigation  
25 as well, and the position they're taking has been

1 aggressive and hard-nosed.

2 But the facts are that Norwood is a very  
3 savvy competitor. If they thought they had this great  
4 advantage before, they could have gone out, especially  
5 if they really hated it as much as they're now trying  
6 to say with Stuebing. Although Mr. Haala was the one  
7 during that timeframe, we don't have the letters from  
8 him regarding these problems. And then of course Mr.  
9 Harris and the others were much more recent.

10 All the facts really do fit together. There  
11 was this effort to cut prices, to have productivity.  
12 It's all part of the same thing. It's to try to be  
13 the best, lowest-priced competitor they can be in what  
14 is indisputably the highly competitive calendar  
15 market.

16 And we will submit in the BPI version of our  
17 brief what the issue was on the pricing, and I'm sorry  
18 I couldn't go into it here in cross-examination or  
19 otherwise. We're not saying that was the only issue.  
20 No, that was one of the issues. But we were  
21 responding to what we thought was overreaching. And  
22 even today, this claim by Norwood that price has  
23 nothing to do with it, when people say price has  
24 nothing to do with it in hard-nosed business, you have  
25 to take a second and a third look at that issue.

1           And, you know, I was glad to bring out this  
2 issue, because it was very troubling. There's  
3 testimony in the record from last summer and in the  
4 brief. A few slides worked okay. Well, Mr. Blumberg  
5 is now the only witness that has testified with any  
6 firsthand knowledge apparently as to what happened  
7 that morning, because Ms. Shoen has now admitted that  
8 she left the room. Mr Haala, well, Mr. Blumberg says  
9 he was there, but Mr. Haala now says he wasn't there.

10           So the only testimony to credit is Mr.  
11 Blumberg's testimony that there were hours and hours  
12 of demonstration with no problem whatsoever with these  
13 slides. Then we add to that the request for the  
14 tendering marks at the same time. We add that for the  
15 request for the retender in June. I mean, the tender  
16 is given. Mr. Gavronsky did say we'll meet the  
17 prices. That's Exhibit 9. So Ms. Shoen can testify  
18 what she wants to here, but the documentary evidence  
19 is not consistent with what she's saying right now.

20           Finally, on Nishiyama, the documentary  
21 evidence is in 2002 and 2003. In 2004, they were  
22 having conversations with Stuebing with respect to  
23 selling slides to the U.S., and they're saying well,  
24 we're not accepted, maybe you could help us. Maybe  
25 you could partner with us.

1           That is completely inconsistent with the  
2 position they're taking in this litigation of saying  
3 we're just sitting back there. We don't even want to  
4 know what the prices are. We're going to charge you  
5 whatever we price back here. It's not consistent with  
6 who they are. It's not consistent with the facts.  
7 It's not consistent with common sense.

8           And it all comes back to what is consistent,  
9 which is a pretty straightforward case I may submit of  
10 a hard-nosed competitor finding a new product that it  
11 liked for various reasons, but certainly the low price  
12 was one of them. Thank you very much for your  
13 attention.

14           CHAIRMAN PEARSON: Thank you. Mr. Thomas,  
15 as you're coming forward, or do you wish to speak from  
16 where you are?

17           MR. THOMAS: Mr. Chairman, I would prefer to  
18 speak from where I am.

19           CHAIRMAN PEARSON: Okay.

20           MR. THOMAS: I find that at the podium, it's  
21 the long distance from the bottom of the podium to  
22 where my eyes are.

23           CHAIRMAN PEARSON: That's fine. Could I ask  
24 you to withhold for just a minute and permit me to  
25 turn to Commissioner Koplan?

1 MR. THOMAS: Yes, sir.

2 COMMISSIONER KOPLAN: I very much appreciate  
3 that, Mr. Chairman. Thank you for indulging me.

4 Mr. Thomas, this is for Mr. Haala through  
5 you. I am corrected. On Tuesday, June 20, we did  
6 receive a copy from you of the Synergetics report.  
7 And it's my understanding, and I've just gotten to  
8 look at it, it's my understanding that page 21 of  
9 Exhibit B presents the data on the tinning department.

10 And if I am correct in that, I would  
11 appreciate it if supportive data to back up your  
12 assertion regarding efficiency could be supplied to  
13 our staff through Ms. Mazur upon which that report,  
14 that statement of the report, was based. If you could  
15 do that for purposes of the posthearing.

16 MR. THOMAS: We'll be happy to to the extent  
17 I understand the question. I'll coordinate with Ms.  
18 Mazur to make sure that I do. Thank you.

19 COMMISSIONER KOPLAN: Thank you very much.

20 Thank you, Mr. Chairman.

21 CHAIRMAN PEARSON: You're welcome,  
22 Commissioner Koplan.

23 Mr. Secretary, just to clarify, that time  
24 should not be charged to Mr. Thomas.

25 MR. BISHOP: No, sir, it will not.

1                   CHAIRMAN PEARSON: Okay. Mr. Thomas, you  
2 may proceed.

3                   MR. THOMAS: Thank you. Just a few remarks  
4 to make in closing. First of all, I would ask the  
5 Commission, you've heard argument from their side.  
6 You've heard some argument from ours. We've tried  
7 very hard to keep to the facts and not give you a lot  
8 of argument. We ask the Commission to look closely at  
9 what both of us say in our briefs and in our  
10 testimony, check the documents, confirm the data. We  
11 think you will find that what we're saying is backed  
12 up by hard documentation.

13                   With respect to what the other side says,  
14 I'd like to point out just a few areas where let's say  
15 that they've made some mistakes with what they've said  
16 about the record. I think we've already alluded to  
17 the fact that in their prehearing brief, they make the  
18 assertion that Norwood retained Synergetics in early  
19 2003, and I don't have the language in front of me,  
20 but essentially as a raw materials, a materials  
21 sourcing consultant.

22                   And they cite Mr. Haala's testimony in the  
23 conference for that. They do cite an exact page in  
24 the conference. And what Mr. Haala says at that page  
25 is that Norwood had Synergetics, a systems analysis

1 and design consultant, come up and conduct an analysis  
2 of production rates in among other areas the tinning  
3 department and identify production targets. There is  
4 not one word in there about being a supply consultant.

5 Now, having cited that page, somebody had to  
6 have read what it said, and then to make the  
7 representation to the Commission that it said  
8 something entirely different seems to me is  
9 inappropriate.

10 At another place, the brief of Petitioners  
11 recites some language that was in one of our  
12 questionnaire responses about a particular estimate  
13 being something that we didn't represent was  
14 particularly accurate, and they applied that statement  
15 to the MOS data that we submitted to the Commission.

16 The statement that they thought applied to  
17 the MOS data was in fact made in a different  
18 questionnaire response, our inquiries questionnaire  
19 response, and had to do with the inventory and  
20 internal consumption data that was being provided  
21 because Norwood didn't have exact records with respect  
22 to that.

23 So again, somebody had to look at the  
24 documents, somebody had to find that statement in the  
25 document, and then they had to attribute it to the

1 wrong document.

2           Once again, with respect to the MOS data, my  
3 learned colleague over here consistently refers to the  
4 MOS data as tests. These are not tests. This is  
5 actual production, commercial production, data with  
6 respect to the productivity. It reflects actual  
7 experience. It's not some sort of made up test. And  
8 by the way, they put tests in quotes. They put tests  
9 in quotes. What are they quoting? They're not  
10 quoting anything we provided.

11           Stuebing claims that we only brought up the  
12 subject imports because of their price. The record  
13 clearly shows with multiple documents and with the  
14 testimony of the people who actually made the decision  
15 that that decision was made for productivity reasons.

16           Stuebing's move to Mexico. The  
17 questionnaire in this case asks Stuebing to produce to  
18 the Commission a business plan for them to show what  
19 they analyzed, on what basis the decision was made.  
20 No such document was presented, nothing in response to  
21 the questionnaire.

22           Some documents were presented with their  
23 prehearing brief. That's not responding to the  
24 questionnaire, and those documents do not in fact show  
25 somebody analyzing something and saying we will make

1 this decision on this basis. Stuebing wants you to  
2 believe that when they made that decision, there was  
3 no consideration given to what was happening in their  
4 primary export markets. I find they think that is  
5 simply incredible.

6 Stuebing's 2005 data, I don't need to tell  
7 the Commission anything about that. The Commission  
8 knows, and I won't take that any further. Let me just  
9 simply say having survived the preliminary phase in  
10 this proceeding only by the closest of margins and  
11 with the full benefit of the doubt, it's incumbent on  
12 Petitioner to present in this final phase substantial  
13 evidence that in fact it had suffered material injury  
14 or is threatened with material injury by reason of the  
15 subject imports. It has not done so. Instead, it  
16 spun the Commission some sort of tale based so far as  
17 I can see largely on misstatements of the record, and  
18 it denies facts that are in fact established by  
19 documents before the Commission.

20 This is a case involving one domestic  
21 producer, one importer, which is also the only end  
22 user as well, and a single foreign producer. The  
23 product is a production input. The only end user has  
24 stated and demonstrated that the subject imports give  
25 it higher productivity rates in its binding machines.

1 The record also indicates that contrary to its  
2 testimony here, Petitioner recognizes that their  
3 slides give Norwood a higher rate.

4 Documentary evidence in the record shows  
5 that Norwood was dissatisfied with domestic products  
6 productivity and went looking for a more productive  
7 alternative. It found the alternative in the  
8 Nishiyama slides. Once it saw how well they ran in  
9 Norwood's machines, Norwood determined to cease using  
10 the domestic like product except when it needed it for  
11 emergency runs for custom products and for a period of  
12 time to use in the Stuebing pneumatically driven  
13 binding machines.

14 The deciding factor for Norwood was the  
15 labor savings caused by the max productivity  
16 advantage. The price of the slides was a bonus. It's  
17 not a bad thing to have a bonus like that. Nobody's  
18 going to turn it down. But it was a bonus.

19 Norwood is the only end user of the subject  
20 imports and the only U.S. consumer of metal calendar  
21 slides to have used both products. It's the only one  
22 who has actual experience with respect to using both  
23 of these products over years.

24 I think the Commission has to give very  
25 heavy to weight to what Norwood says about that

1 experience. The questionnaires to other purchasers of  
2 metal calendar slides in the U.S. who have never used  
3 the Nishiyama slides is not going to tell the  
4 Commission very much. In fact, it's not going to tell  
5 them anything at all.

6 The Court of Appeals for the Federal Circuit  
7 stated in its recent Bratsk Aluminum decision that  
8 "Under Gerald Metals, the increase in volume of the  
9 subject imports priced below domestic products and the  
10 decline in the domestic market share are not in and of  
11 themselves sufficient to establish causation." But  
12 that's Petitioners' case. That's Petitioners' case,  
13 and the Court of Appeals for the Federal Circuit says  
14 that's not adequate.

15 Certainly those facts are not sufficient in this case.

16 So I want to thank the Commission for the  
17 patience that it's shown. I want to repeat again my  
18 request, my hope that the Commission will send some  
19 people out to Sleepy Eye to look at the MOS data and  
20 the efficiency rate data. There are obviously  
21 questions about that. I think it's important that  
22 they be sorted out. This is something the staff is  
23 capable of doing, and I ask them to do it.

24 Finally, I started the practice of law 42  
25 years ago by joining the predecessor agency of this

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1 Commission in the General Counsel's Office. My first  
2 experience in the practice of law was with this  
3 Commission. I frankly don't know if I'll have a  
4 chance to be before the Commission again before I  
5 retire, so I just wanted to say thank you all very  
6 much. It's been a wonderful experience. It's a great  
7 staff. It always felt like a family, and I have the  
8 highest regard for you all. That concludes my  
9 statement.

10 CHAIRMAN PEARSON: Thank you very much, Mr.  
11 Thomas.

12 Posthearing briefs, statements responsive to  
13 questions and requests of the Commission, and  
14 corrections to the transcript must be filed by June  
15 29, 2006, closing of the record and final release of  
16 data to parties, July 13, 2006, and final comments,  
17 July 17, 2006.

18 This hearing is adjourned.

19 (Whereupon, at 4:51 p.m., the hearing in the  
20 above-entitled matter was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Metal Calendar Slides from Japan  
**INVESTIGATION NOS.:** 731-TA-1094 (Final)  
**HEARING DATE:** June 22, 2006  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

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

**DATE:** June 22, 2006

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

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

**SIGNED:** Christina Chesley  
Signature of Court Reporter