

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
 STEEL WIRE GARMENT) 731-TA-1123 (Preliminary)
 HANGERS FROM CHINA)

Tuesday,
 August 21, 2007

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

The preliminary conference commenced, pursuant to notice, at 9:33 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

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Staff:

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On behalf of Market Direct International, LLC:

WEIXIONG ZHONG, President, Market Direct
International, LLC

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P R O C E E D I N G S

(9:33 a.m.)

1
2
3 MR. CARPENTER: Good morning, and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping investigation No. 731-TA-1123 concerning
7 imports of Steel Wire Garment Hangers From China.

8 My name is Robert Carpenter. I'm the
9 Commission's Director of Investigations, and I will
10 preside at this conference. Among those present from
11 the Commission staff are, from my far right, Fred
12 Ruggles, the investigator; Douglas Corkran, the
13 supervisory investigator; on my left, Michael
14 Haldenstein, the attorney/advisor; Bill Greene, the
15 economist; Charles Yost, the auditor; and Karen
16 Taylor, the industry analyst.

17 I understand the parties are aware of the
18 time allocations. I would remind speakers not to
19 refer in your remarks to business proprietary
20 information and to speak directly into the
21 microphones. We also ask you to state your name and
22 affiliation for the record before beginning your
23 presentation.

24 Are there any questions?

25 (No response.)

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1 MR. CARPENTER: If not, welcome, Mr. Waite.
2 Please proceed with your opening statement.

3 MR. WAITE: Good morning, Mr. Carpenter and
4 members of the Commission staff. My name is Fred
5 Waite. I am with the firm of Vorys, Sater, Seymour &
6 Pease. I am here on behalf of the Petitioner in this
7 investigation, M&B Metal Products Company, Inc., the
8 last remaining national producer of steel wire garment
9 hangers in the United States.

10 I was here four short years ago on behalf of
11 M&B Hangers and two other domestic hanger
12 manufacturers asking the Commission for relief under
13 Section 421 from the surge of Chinese imports. At
14 that time imports from China had risen from 29 million
15 hangers in 1997 to over 400 million during the first
16 nine months of 2002.

17 By contrast, Chinese imports during the
18 first six months of this year alone were over one
19 billion hangers. That's billion with a B. At the
20 current rate, Chinese hanger imports will exceed 2.5
21 billion hangers by the end of 2007.

22 The legal standard in the 421 case required
23 the Commission to determine whether imports were
24 increasing rapidly, whether the domestic industry was
25 materially injured and whether the rapidly increasing

1 imports were a significant cause of that material
2 injury.

3 By a unanimous vote, the Commission found
4 that imports of hangers from China were rapidly
5 increasing, that the domestic industry was materially
6 injured and that the increasing imports from China
7 were a significant cause of the material injury. I
8 mention this much higher legal standard only because
9 conditions in this industry today have gotten much,
10 much worse over the last three and a half years.

11 In the Section 421 case, the Commission
12 found that the indicators relating to the condition of
13 the domestic industry had remained steady during much
14 of the period of that investigation before sharply
15 declining in 2001 and interim 2002.

16 Not only did the domestic industry
17 experience sharp decreases in production, net sales,
18 capacity utilization and market share, but the
19 domestic industry went from operating at a profit
20 during much of that period to an operating loss as
21 imports from China flooded the market.

22 Almost immediately after the President
23 announced that he was not granting any meaningful
24 relief to this industry in the 421 case, the largest
25 garment hanger producer in the world, Cleaners Hanger

1 Company, filed for bankruptcy and shut down all of its
2 domestic hanger plants. Since then, one-by-one nearly
3 all of the U.S. companies that had been producing
4 hangers in this country for 40, 50, even 60 years
5 shuttered their hanger production.

6 Two of the companies you will be hearing
7 from later today, Laidlaw and United Wire Hanger, had
8 long traditions of making hangers in the United
9 States. United started manufacturing in the early
10 1960s, but in June 2006 the company announced the
11 closure of its U.S. operations.

12 Laidlaw started running its first hanger
13 machine in 1931, according to the company's website,
14 but after opposing the Section 421 case Laidlaw
15 methodically shut down every one of its U.S. hanger
16 plants, and the last one ceased production at the end
17 of 2006.

18 Both of these companies have surrendered
19 their manufacturing in order to become importers and
20 distributors of Chinese hangers. Their business plan
21 appears to be if you can't beat them, join them.

22 Since the 421 case, M&B Hangers has fought
23 to maintain its operations in the face of an ever
24 increasing tsunami of Chinese imports at lower and
25 lower prices. The company has gradually moved its

1 U.S. production away from the lowest priced hangers
2 where the Chinese have completely penetrated the
3 market.

4 But despite all of its efforts, M&B Hangers
5 was forced to close its hanger plant in South Hill,
6 Virginia, in May 2005. In February of this year, M&B
7 made the difficult decision to lay off 20 employees at
8 its Leeds, Alabama, plant and reduce its shifts from
9 three to two.

10 This was in direct response to the loss of a
11 significant U.S. customer that decided at the end of
12 2006 to award its business to suppliers who are
13 sourcing 100 percent of their hangers from China.
14 This was probably the largest single lost sale that we
15 reported to the Commission on behalf of M&B, but there
16 are too many more examples just like this one.

17 M&B Hangers and the domestic hanger industry
18 cannot continue to withstand the onslaught of dumped
19 imports from China without the timely application of
20 our trade laws. If relief is not granted soon, this
21 industry will be gone forever.

22 Mr. Carpenter, we look forward to presenting
23 our witnesses at this conference and to responding to
24 your questions. Thank you.

25 MR. CARPENTER: Thank you, Mr. Waite.

1 Mr. Perry?

2 MR. PERRY: William Perry of the law firm
3 Garvey Schubert & Barer representing Laidlaw and
4 United Wire in these proceedings.

5 This is a Bratsk case. This is probably the
6 best example of the issue to date. M&B brought this
7 case not to protect its U.S. production operation, but
8 to protect its Mexican factory with substantial lower
9 costs than its U.S. operations. Under Bratsk, the
10 Court of Appeals for the Federal Circuit said that the
11 Commission must do the following:

12 "Where commodity products are at issue and
13 fairly traded, price competitive, nonsubject imports
14 are in the market, the Commission must explain why the
15 elimination of subject imports would benefit the
16 domestic industry instead of resulting in the
17 nonsubject imports' replacement of the subject
18 imports' market share without any beneficial impact on
19 domestic producers."

20 Who says that this case is a Bratsk case?
21 The President of the United States. In denying relief
22 under the Section 421 case the President stated the
23 following:

24 "Furthermore, there is a strong possibility
25 that if additional tariffs on Chinese wire hangers

1 were imposed production would simply shift to third
2 countries, which could not be subject to the Section
3 421's China specific restrictions. In that event,
4 import relief would have little or no benefit for any
5 domestic producer."

6 M&B was one of the Petitioners in the
7 Section 421 case, and they had a Mexican plant at that
8 time. We will demonstrate that M&B precipitated the
9 crisis by first going to Mexico, which forced the
10 other U.S. companies to go to China to compete with
11 the lower cost Mexican companies.

12 I mean, from Laidlaw's estimates the cost of
13 production in the United States for a steel wire
14 garment hanger is \$42 per 1,000. In Mexico it's \$31
15 per 1,000. In China it's \$28 per 1,000. If there's
16 an antidumping order imposed, why would M&B increase
17 its U.S. production? It makes more profits by
18 expanding its Mexican production.

19 We will show that at the exact time that M&B
20 closed its Virginia plant because of Chinese imports
21 it increased the number of workers in its Mexican
22 plant. When they talk about a lost sale to a big U.S.
23 company, we'll say that U.S. customer, M&B was really
24 supplying them out of Mexico, not out of the United
25 States. I mean, this is a Bratsk case pure and

1 simple.

2 It's kind of interesting. My good friend
3 over there, Mr. Fred Waite, was the lawyer for the
4 Ukrainians and he won the Bratsk aluminum case. I
5 know that the Commission does not like this case.
6 They've even had people up on the Hill screaming about
7 it, but the point is this is the law, so I am going to
8 be very interested to find out how Mr. Waite deals
9 with this issue.

10 Thank you very much.

11 MR. CARPENTER: Thank you, Mr. Perry.

12 Mr. Waite, at this time if you could bring
13 your panel forward, please?

14 MR. WAITE: Thank you again, Mr. Carpenter.
15 I think we're sorted out. Again for the record my
16 name is Fred Waite representing the Petitioner in this
17 investigation.

18 Our panel today consists of Mr. Milton
19 Magnus to my right. He is president of M&B Metal
20 Products Company. To his right is Dr. Patrick
21 Magrath, who needs no introduction in this forum. To
22 Pat's right is Mr. Steve Pedelty, a sales
23 representative for M&B Hangers.

24 On my immediate left is Cathy Cronic, who is
25 controller and secretary/treasurer of M&B Hangers, and

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1 last, but not least, is my colleague, Kimberly Young,
2 of Vorys, Sater, Seymour & Pease.

3 Mr. Magnus will start our presentation this
4 morning.

5 MR. MAGNUS: Good morning. I am Milton M.
6 Magnus, III, president of M&B Metal Products Company,
7 Inc., better known as M&B Hangers. We manufacture
8 steel wire garment hangers in Leeds, Alabama, and
9 Mexico. For simplicity, I'll refer to steel wire
10 garment hangers in the rest of my testimony as
11 hangers.

12 M&B, along with two smaller producers, Metro
13 Supply in California and Ganchos NV in Puerto Rico,
14 are the only remaining producers of hangers in the
15 United States. Unfairly traded imports from China
16 have decimated our industry, and we are the sole
17 surviving companies.

18 Four and a half years ago I testified before
19 the International Trade Commission in a Section 421
20 case regarding increased imports of hangers from
21 China. At that time, three domestic hanger producers
22 -- United Wire Hanger, who is opposing this
23 antidumping petition, along with M&B Hangers and CHC
24 Industries -- joined together seeking relief from a
25 surge of imported hangers from China that was hurting

1 our industry.

2 Laidlaw Corporation, which was a significant
3 domestic producers at the time, opposed the Section
4 421 case, just as its successor, Laidlaw LLC, which
5 now has no U.S. hanger production, is opposing this
6 antidumping case.

7 As you probably know, the Commission voted
8 unanimously in our 421 case in favor of the domestic
9 hanger industry and recommended import relief, but
10 President Bush declined to take any action. That was
11 in early 2003.

12 Since then, CHC Industries, which was the
13 largest hanger producer in the world and one of the
14 petitioners in the 421 case, declared bankruptcy and
15 closed their five U.S. production facilities. United,
16 which was also a petitioner in the 421 case, stopped
17 producing hangers in New Jersey, and we closed our M&B
18 production facility in Virginia, leaving only our
19 plant in Alabama.

20 I guess you could say Laidlaw won the 421
21 case, but then again Laidlaw's employees certainly
22 lost when the company subsequently closed every one of
23 the U.S. hanger plants and shifted entirely to
24 importing from China.

25 Along with these national producers, Nagel

1 or U.S. Hanger shut down its U.S. hanger production.
2 Navisa closed its plant in Texas. East West Supply in
3 California and Rocky Mountain Hanger in Colorado also
4 stopped producing hangers in the United States. In
5 total, 14 domestic hanger facilities have closed their
6 doors since the end of the Commission's Section 421
7 investigation. We are here to stop that trend.

8 I am sad to see former U.S. producer United
9 here today opposing us. After supporting the 421
10 case, United chose to abandon its U.S. production and
11 import from China instead.

12 Laidlaw's new owners, who shut down the last
13 of the company's U.S. hanger facilities at the end of
14 last year, have stated publicly that their goal was to
15 produce hangers in China, not in the United States.

16 Navisa, who up until April of this year
17 produced hangers in the United States, stopped
18 producing due to Chinese competition, according to a
19 note that the company left for its employees on a
20 padlocked door at their Brenham, Texas, plant.

21 It is very clear our industry has not just
22 been harmed by imports from China. It has been
23 virtually destroyed. The only way to recover is
24 through relief granted under the antidumping
25 proceeding.

1 The reason M&B is here today is to stop
2 unfairly traded imports from China so we can expand
3 our production in Alabama and produce hangers
4 profitably again in the United States.

5 As I mentioned earlier, M&B maintains a
6 plant in Mexico which we opened back in 1999. It's a
7 good thing too. It allowed us to continue serving
8 some U.S. customers despite very low priced hangers
9 from China.

10 Our associates in Alabama are glad we opened
11 that plant because they know if it had not been for
12 Mexico these past few years they would be like the
13 rest of the former workers in the U.S. hanger
14 industry: Unemployed.

15 This case is not about M&B operation's in
16 Mexico. As a result of this case, we hope to obtain
17 relief so we can ramp up our U.S. production back to
18 where it was a couple years ago and then increase it
19 even more. That is our goal, and we will do just that
20 if we are successful in this case. We have excess
21 capacity and idle machinery at our factory in Alabama
22 that we could easily use to significantly increase our
23 output in a relatively short period of time.

24 Today Chinese imports have grabbed over 70
25 percent of the total U.S. market for hangers. Since

1 our 421 case, Chinese hanger producers have continued
2 to open new facilities and expand capacity in China.
3 Their primary market for that ever-increasing Chinese
4 production is the United States. China makes up
5 almost 90 percent of all hanger imports. Our problem
6 is China's unfair imports, not imports from other
7 countries.

8 Our opposition might say all these Chinese
9 hanger plants are new with new technology such as
10 powder coating and other processes. We heard similar
11 arguments in the 421 case from the Chinese producers
12 and from Laidlaw.

13 I've toured some of the Chinese hanger
14 plants, and generally they are much less efficient
15 than U.S. producers. For example, their so-called
16 efficient powder coating process, which is a type of
17 painting, consists of manual laborers taking the
18 hangers off machines, putting them on hanger rods,
19 then manually spacing them on the rods so they are not
20 touching, then placing them in a booth where they are
21 hand painted with a spray gun.

22 Then they take them out of the spray booth,
23 again all by hand, and place them on a rack and roll
24 them into a baking oven for curing. If the Commission
25 would like to see a video of this so-called efficient

1 process, I would be happy to supply them one.

2 My initial contact in China told me they
3 were paid bonuses not on the basis of profits, but on
4 how many people they employ. In my visits to Chinese
5 hanger plants I know this has to be true.

6 As the Commission knows from the Section 421
7 investigation, M&B does import hangers from China,
8 which is why I visited several of the hanger plants in
9 China and why I know their production process is
10 anything but efficient.

11 As I explained back in 2002, importing from
12 China was a question of survival for my company. Our
13 customers who distribute hangers to dry cleaners and
14 other end users in the United States were trying to
15 compete with distributors who were selling only
16 Chinese hangers.

17 The price on these hanger imports was so far
18 below anything we could offer on hangers made in the
19 USA that for some products we had no choice but to buy
20 Chinese hangers in order for our distributor customers
21 to be able to compete. In many cases, the China price
22 was significantly below our raw material cost. How
23 are we supposed to compete with pricing like that?

24 In the Section 421 investigation the
25 Commission found margins of underselling by Chinese

1 imports that were between 30 and 50 percent below U.S.
2 prices, but these huge underselling margins are not
3 the result of more efficient processes in China or
4 newer technology. It is because the Chinese
5 continuously drop their prices to seize more market
6 share. This has resulted in the decimation of the
7 U.S. hanger industry.

8 And things have only gotten worse since the
9 end of the Section 421 case. The Commission found
10 that Chinese imports were mostly concentrated in white
11 shirt hangers and caped hangers. The Chinese had only
12 just started producing struts, and there were no
13 imports of latex hangers back in 2002. Since then the
14 Chinese have taken over the strut market, and they are
15 quickly expanding into the textile rental market that
16 uses latex hangers.

17 During the 421 case the Chinese producers
18 argued that the textile rental market was a protected
19 market because there was no Chinese production of
20 latex hangers. Not anymore. M&B just lost one of the
21 largest latex hanger customers to Chinese imports, and
22 it was all on the basis of price.

23 Maybe now would be a good time for us to
24 have a show and tell and to briefly go through the
25 different types of hangers and how they're made in

1 this investigation.

2 The first product is the 18 inch white shirt
3 hanger. The 18 inch refers to length of the bottom
4 bar of the hanger. The standard 18 inch shirt hanger
5 is produced from 14.5 gauge wire, which is a lighter
6 gauge wire.

7 Shirt hangers come in other colors such as
8 black, blue, red and gold, but white is the most
9 popular color for dry cleaners, who use these
10 primarily for dry cleaning cotton dress shirts or
11 casual shirts. Shirt hangers are one of the three
12 most common hangers used in the dry cleaning industry.

13 Products 2, 3, 4 and 5 are varieties of
14 caped hangers. The standard cape hanger is 16 inches
15 in length across the bottom bar. These hangers that
16 you get from your dry cleaner are all covered in
17 paper.

18 These are generally plain, painted gold
19 tone, and the paper cover or cape is either plain
20 white or printed with a custom design or a stock
21 design. This stock design, "We love our customer," is
22 one of the most common. Several years ago we printed
23 the schedules of NFL football teams on caped hangers.

24 The pricing products the Commission has
25 selected are plain caped hangers and stock printed

1 caped hangers. The only difference in the samples of
2 these plain and stock printed caped hangers are 2 and
3 3 are 13 gauge, and Products 4 and 5 are 14.5 gauge.
4 The Chinese producers make caped hangers in both these
5 gauges with both plain and stock print capes. In
6 Section 421, caped hangers were the number one type of
7 hangers imported from China. Caped hangers are also
8 one of the most common dry cleaning hangers.

9 The third most common dry cleaning hanger is
10 a strut hanger. This is the hanger that has a tube
11 along the bottom bar. You'll notice the hook on the
12 strut has a double wire. That's because the wire is
13 bent in the middle of the hook, and the ends are
14 inside the ends of the tube. The wire does not go all
15 the way through the tube on this hanger.

16 The standard strut is 16 inches across the
17 bottom bar and made of 14.5 gauge wire. Most tube are
18 made with white board, and a latex coating is applied
19 to the tube so that when your dry cleaner places your
20 pants over the bottom bar they won't slip off.

21 The Chinese were producing very few strut
22 hangers at the time of the 421 investigation, but over
23 a period of about three years they have eliminated 100
24 percent of the strut production in the United States.
25 M&B still has its strut machines and tube machines in

1 Alabama, and we hope to be able to restart production
2 of struts soon.

3 The last product, Product 7, is a 13 gauge,
4 16 inch latex hanger. These hangers are used by
5 textile rental companies. Those are the companies
6 that supply rental uniforms. Textile rental companies
7 use these hangers in their laundry process. After the
8 clothes come out of the industrial washer, they are
9 placed on a latex hanger, sent through a steam tunnel
10 to steam out the wrinkles and then to a heat cabinet
11 to dry.

12 These companies use high speed conveyors and
13 sorting systems in their process so the hangers must
14 be a uniform size and consistent quality. The hangers
15 are called latex hangers because the bottom bar of the
16 hanger is coated with a latex coating to keep the
17 pants from sliding off. Dry cleaners would not use a
18 latex hanger because the bottom wire bar would put a
19 crease in the trousers.

20 There are four major companies in the
21 textile rental industry -- Cintas, Aramark, G&K and
22 Unifirst. M&B has sold latex hangers to all four of
23 these companies, but recently we've been losing
24 business to China on imports of latex hangers on the
25 basis of price.

1 I am a third generation owner of M&B, and my
2 son is a fourth generation employee of M&B. We know
3 we can compete with anyone when we're on a fair
4 playing field. However, the current playing field is
5 not fair and has not been for some time, which is
6 evident from the fact that six companies have stopped
7 producing hangers in the United States in the last
8 three years.

9 Two of those, Laidlaw and United, are now
10 exclusively importers of Chinese hangers, and two
11 others, Navisa and Nagel, are no longer in business.
12 M&B is the only national producer of hangers still
13 operating in the United States. We already have been
14 forced to shut down one plant in Virginia. We don't
15 want to have to close our plant in Alabama too.

16 Prior to coming to Washington to testify
17 here today I was talking with some of our associates
18 in Leeds. They said we hope you will tell the Trade
19 Commission of the pay raises we have had to forego and
20 the bonuses we have not received because of unfairly
21 sold hangers from China.

22 Also, please mention to them the emotional
23 rollercoaster we are all on, not knowing if we will be
24 out of work because of low-priced hangers from China.
25 Please make sure they know we have suffered and ask

1 for their help.

2 Besides the workers directly employed by
3 M&B, we buy domestic paper and cardboard, domestic
4 paint from PPG, domestic steel, domestic boxes and
5 other goods and services supplied by many small U.S.
6 companies.

7 If we do not get meaningful relief we will
8 be forced to close our U.S. plant, shift more
9 production to Mexico and import from China. The
10 losers will be our workers and the workers in our
11 supplying industries.

12 Indeed, the U.S. hanger industry is on the
13 verge of extinction if something is not done now. We
14 ask that you consider all the facts in this case and
15 rule that our industry has been injured because of
16 unfairly traded hangers from China.

17 Thank you for listening to my concerns
18 today.

19 MR. PEDELTY: Good morning. My name is
20 Steve Pedelty, and I work for M&B Hangers. I sell
21 steel wire garment hangers for M&B Metal Products, the
22 Petitioner in this investigation.

23 My experience in the garment hanger industry
24 spans 24 years, and I have worked for four U.S.
25 producers of wire garment hangers during that time.

1 Two of those companies no longer exist, and a third
2 stopped making hangers in the United States more than
3 a year ago. As Mr. Magnus told you, M&B is the only
4 national hanger producer still making hangers in the
5 United States.

6 The customers for my hangers can be divided
7 into two main groups. The first customer segment of
8 our business is the industrial laundry or uniform
9 rental industry. They use hangers in their operations
10 of washing, delivery and renting of clothes for
11 various industries. Their customers include
12 automobile assembly plants, steel mills, car
13 dealerships, UPS and even M&B. The people who wear
14 these rented clothes could be production workers,
15 mechanics, hospital workers, supervisors and airline
16 employees, just to name a few.

17 The second customer segment is the dry
18 cleaning distribution business. These distributors
19 buy wire garment hangers for resale to local dry
20 cleaners throughout the country. This is a segment of
21 the business that most Americans are familiar with.

22 My first job as a hanger salesman began in
23 May of 1982 when I joined Cleaners Hanger Company. At
24 that time, Cleaners Hanger, or CHC, was the largest
25 producer of garment hangers in the United States and

1 the world. In 2002, I was promoted to Vice President
2 of Sales for CHC, which operated manufacturing plants
3 in six states.

4 During this time, CHC made and sold more
5 than 1.5 billion hangers a year, and I was responsible
6 for marketing the company's hangers to customers
7 throughout the country. I supervised the sales force,
8 and I met personally with many of the key accounts.
9 However, CHC went to bankruptcy in late 2003, and
10 everyone lost their jobs, including me.

11 In January 2004, I joined another American
12 hanger producer, Nagel Hanger, also known as U.S.
13 Hanger, as the company's Vice President of Sales.
14 Nagel was making hangers in both Texas and Mexico when
15 I joined the company. As their only salesman, I
16 called on all of their customers nationwide. I left
17 Nagel in March of 2004, and the company stopped hanger
18 production in the United States and Mexico later that
19 year.

20 After leaving Nagel I went to work as a
21 salesman for United Wire Hanger, which produced steel
22 wire hangers at its plant in New Jersey. My sales
23 territory covered primarily the southeastern United
24 States, but my responsibilities also included key
25 accounts in Minnesota and California. United shut

1 down its U.S. production entirely in June of 2006, but
2 beginning in 2005 the company began laying off
3 employees. I was one of the employees laid off in
4 2005.

5 Since August 2005, I've been working with
6 M&B Metal Hangers of Leeds, Alabama, where I'm a sales
7 representative for the company. I work a multi-state
8 territory and also call on key accounts in Ohio,
9 California, Minnesota and other states.

10 During my time as a salesman, I have called
11 on, met and gotten to know most all of the key people
12 buying hangers in the United States. They are from
13 the uniform rental and industrial laundry industry,
14 the dry cleaning distribution industry and the dry
15 cleaning industry. I also regularly attend many of
16 the trade shows, conventions and other meetings
17 sponsored by the trade associations serving the
18 textile care industry.

19 When I began my career in the hanger
20 business, the U.S. market was served almost
21 exclusively by a large and diverse American industry.
22 Our industry was efficient and provided the full range
23 of hangers at competitive prices.

24 However, starting in the late 1990s low
25 priced hangers from China began to enter the U.S.

1 market. At first Chinese exporters concentrated on
2 shirt hangers, but they quickly moved into cape and
3 strut markets by offering products at prices that were
4 20 percent to 40 percent or more below the prevailing
5 prices for U.S. producers. More recently, Chinese
6 latex hangers have taken a larger and larger share of
7 the industrial laundry and uniform rental business.

8 The flood of Chinese hangers in the United
9 States is not the result of a better product or
10 superior service. There are very few differences in
11 the quality between American and Chinese hangers, and,
12 if anything, the U.S. producers are more prompt in
13 responding to customers' needs and offer more
14 consistent quality than imports from China. In my
15 experience, customers make their purchasing decisions
16 almost entirely on the basis of price, and here the
17 Chinese product has had a decisive advantage.

18 I was working at CHC when the American
19 industry applied for relief under Section 421. That
20 was in 2002 and 2003 when imports of Chinese hangers
21 were growing rapidly and had already reached 500
22 million hangers a year, up 4.5 times from just five
23 years earlier. Despite the Commission's unanimous
24 decision supporting the U.S. industry, the President
25 failed to take any action on our case, and we faced

1 even more imports of hangers from China at very low
2 prices.

3 CHC took major steps to try to compete with
4 Chinese hanger producers. These steps included
5 consolidating our Cleveland and Union City plants into
6 other plants, reducing the sales force by laying off
7 our Chicago and Baltimore salesmen, reducing pay and
8 benefits at management levels and reducing expenses at
9 all levels.

10 With these cost savings, we briefly narrowed
11 the pricing gap with China, but they quickly lowered
12 their prices further and further. It soon became
13 clear to me that China had no bottom in their pricing
14 structure on hangers sold to the United States.

15 The distributor side of our business soon
16 began importing more and more hangers from China so
17 they could save money and compete with Chinese hangers
18 sold by the competitors. Customers that typically
19 bought 75 to 100 percent of their hangers from CHC
20 were soon buying 50 to 80 percent of their hangers
21 from China.

22 Phoenix Supply & Cleaners Products, along
23 with virtually all of our distributor customers, were
24 shifting their business to China by huge percentages.
25 With the distributors being about 65 percent of CHC's

1 business, we soon saw sales drops of hundreds of
2 millions of hangers. This story was repeated
3 throughout our customer base.

4 As a result, CHC closed its doors just seven
5 months after the President announced there would be no
6 relief for the U.S. hanger industry. I continued to
7 see this pattern of increasing numbers of hangers from
8 China at lower and lower prices when I worked for
9 Nagel and United Hanger.

10 Dallas Tailor, now known as FabriClean, and
11 Ideal Chemical and many other customers shifted
12 business from Nagel to Chinese products. EJ Thomas,
13 NS Farrington and many other customers shifted
14 business from United Wire Hanger to Chinese products.
15 Most of these distributors now import virtually 100
16 percent of their hangers from China.

17 Today Chinese hangers continue to pour into
18 the U.S. market. Since joining M&B, I have seen
19 longstanding accounts shift to low-priced imports from
20 China. This trend is now spreading to the uniform
21 rental side of our business.

22 In December of 2006, Cintas Uniform, who
23 until that date was virtually 100 percent American
24 sourced on hangers, awarded a major percentage of
25 their hanger business to two importers of Chinese

1 hangers, Laidlaw and United. I estimate that about 90
2 percent of the hangers that Cintas uses now come from
3 China at prices below American producers' costs.

4 Unifirst Corporation, who was also virtually
5 100 percent American sourced, starting shifting their
6 purchases to Chinese sources during the last 45 days.
7 If the trend at Unifirst continues, when added to the
8 lost sales of Cintas M&B will lose an additional 175
9 million hanger units to China in the next 12 months
10 for these two accounts alone.

11 We also continue to lose market share at
12 virtually all of our dry cleaning distributors,
13 including Phoenix Supply, FabriClean and many, many
14 others. Even in those cases where we manage to retain
15 a sale, it has been at a very low price, the result of
16 pressure from Chinese imports.

17 The impact of low-priced Chinese imports has
18 been devastating to the American hanger industry.
19 Four years ago there were six national producers of
20 garment hangers in the United States. I have worked
21 for four of them. One-by-one they have been forced
22 out of business by imports from China. Two are now
23 distributors of Chinese hangers. Three no longer
24 exist.

25 Today only one remains, M&B Hangers. We

1 need effective relief from dumped Chinese imports now
2 so that the hanger production does not disappear from
3 the United States. Thank you.

4 MR. MAGRATH: Good morning, members of the
5 Commission staff, ladies and gentleman. My name is
6 Patrick Magrath of Georgetown Economic Services. I am
7 here this morning on behalf of Petitioner M&B Hangers
8 to discuss issues relating to injury, causation and
9 the threat of injury.

10 This product and industry are not new to the
11 Commission and its staff. It has been only four years
12 since the Commission completed the Section 421
13 investigation on this same product, at which time it
14 unanimously determined that hanger imports from China
15 were a significant cause of material injury to the
16 U.S. industry.

17 In fact, the data series collected in the
18 421, which went through three quarters of 2002, is
19 almost contiguous with the start of the database here,
20 which is the beginning of 2004, so in addition to the
21 period of investigation in this case the Commission is
22 able to view levels and trends of industry and import
23 data going through the entire decade if it so desires.
24 And what astounding trends they are, whether measured
25 from the 421 or from the start of the POI in this

1 instant case.

2 As I look across the table today I see that
3 a veteran staff has been assigned to this case,
4 including a few folks from when I was on the ITC
5 professional staff a zillion years ago. I wonder if
6 any of you have ever seen, because I truly have not
7 seen, a more thoroughly decimated domestic industry
8 than the one that is before you today or a more
9 clearly defined cause of injury than those of the
10 subject imports from China.

11 Now, yes, we all know petitioners'
12 representatives always claim injury and unambiguous
13 causation, but has any petitioning group that has
14 appeared before any of you in a Title VII case had the
15 misfortune to present the following:

16 The closure of four of five domestic hanger
17 producers who had sold on a national basis, as well as
18 several local producers, 14 altogether as Mr. Magnus
19 has testified, leaving only M&B and two small regional
20 producers still manufacturing in the United States.

21 Second, the shuttering, sale or
22 dismantlement of domestic productive capacity of over
23 four billion hangers, representing well over 80
24 percent of total capacity lost. This is illustrated
25 in Chart 1.

1 By the way, the staff will see that the
2 exact numbers for the latest period, 2007, can't be
3 provided due to confidentiality. That exact data will
4 be put in our postconference brief.

5 Along with the shuttering of productive
6 capacity, other industry indicators have always
7 severely contracted: Domestic shipments, from about
8 3.4 billion hangers in 2002 to only a small fraction
9 of that currently, and the human component,
10 employment, which stood at over 1,200 workers in 2002,
11 is less than 10 percent of that today. Chart 2 shows
12 this dramatic and discouraging contraction.

13 In addition to the decline in the domestic
14 industry, indicia generally considered in the
15 Commission's causation analysis also showed dramatic
16 changes from the end of the Section 421 period.

17 First, the volume of the subject imports
18 from China, which was 294 million hangers in 2002, now
19 stands at more than four times that, 1.3 billion
20 hangers, and that's for only the first six months,
21 only the first half of this year. That's in Chart 3,
22 the big red bar being the 2007 imports.

23 Perhaps most telling, the import penetration
24 of Chinese hangers, which was around 12 percent at the
25 time of the Section 421 case, is now over 90 percent

1 of total U.S. consumption. These estimates are based
2 on U.S. production data, that is from M&B, but cannot
3 be shown due to confidentiality concerns.

4 Now, we all know that a 2002 to 2007
5 comparison is not what is analyzed in this case. The
6 period of investigation is the last three years plus
7 the most recent interim period. In this case, the
8 base year for trend analysis will be 2004. These data
9 are still being collected by the staff.

10 Nonetheless, Petitioners wanted to put these
11 comparisons from the 421 period on the record because
12 it was on the basis of those much higher, "healthier"
13 levels for domestic producer capacity, for example,
14 for shipments, for employment, profitability, as well
15 as the much lower levels for Chinese imports in market
16 share, once again around 12 or 13 percent of the
17 market, that the Commission unanimously determined
18 that Chinese imports were a significant cause of
19 material injury in 2003.

20 This standard, distinguished counsel for
21 Petitioners advised me, is a higher one than what we
22 seek to establish here, which is that there is a
23 "reasonable indication" that the U.S. hanger industry
24 is materially injured by imports from China.

25 Now, following the President's denial of any

1 effective relief in the 421 proceeding, the industry
2 continued to contract during the period of
3 investigation the ITC will examine, as the increases
4 in unfairly priced imports from China became a deluge.

5 Today, Petitioner M&B and two small regional
6 producers are all that remain of an industry that
7 counted six major producers at the start of the POI.
8 Petitioners present these closures with their
9 accompanying elimination of domestic capacity, job
10 loss, market share loss, as the best and most
11 unequivocal evidence of material injury.

12 U.S. producer Laidlaw closed its remaining
13 plants in Delaware, Illinois, Wisconsin in 2006 after
14 sale to a company whose new owners "indicated they
15 planned to close plants and move production to China."
16 That's in our petition, Exhibit 5. These actions
17 followed Laidlaw's closures of hanger plants earlier
18 in Arizona and Baltimore.

19 U.S. Hanger Company, also known as Nagel,
20 shut down its Texas hanger facility in 2004 and moved
21 its production equipment to Mexico, according to the
22 U.S. Department of Labor's Office of Trade Adjustment
23 Assistance. The company produced hangers in Mexico
24 for only a few months before it shut down altogether,
25 still unable to compete with the growing volumes of

1 imports from China in the U.S. market, as Mr. Pedelty,
2 a former employee of Nagel, has related to you.

3 U.S. producer Navisa also closed suddenly
4 and completely in 2007. Navisa had been operating the
5 Houston plant of CHC Company, the industry's largest
6 producer at the time of the Section 421, that had also
7 filed for bankruptcy and liquidated in November of
8 2003. That's in our petition at Exhibit 9.

9 Finally, the sole remaining national
10 producers of hangers, Petitioner M&B, has not been
11 immune to unfair competition from China. Far from it.
12 In May 2005, as M&B reported in its questionnaire, the
13 company closed its South Hill, Virginia, plant with 67
14 workers losing their jobs. M&B also reported to the
15 U.S. Department of Labor a job reduction of 20 workers
16 at its remaining hanger facility in Leeds, Alabama, in
17 early 2007.

18 This severe, and again in my experience
19 unprecedented, contraction of what was a substantial
20 U.S. industry employing thousands of Americans only a
21 few years ago is clear and convincing proof of massive
22 injury far exceeding the statutory standard.

23 Second, we must remember that dead men tell
24 no tales. We don't know if the Commission will be
25 able to gather a comprehensive data set from the

1 companies that have gone out of business in the period
2 of investigation, but it is a certainty that if it
3 could the data we are about to characterize, which is
4 based solely on survivor M&B's experience over the
5 period, would show even greater declines.

6 In short, the charts we are about to discuss
7 based only on Petitioner M&B's data represent a best
8 case scenario for the domestic industry during this
9 period.

10 The trends over the period of investigation
11 are presented in a nonconfidential manner in Chart 4.
12 As is apparent, the trends and industry indicia
13 traditionally examined by the ITC show substantial
14 declines in each year of the POI. All indicators --
15 production, shipments, capacity utility and production
16 related employment -- declined each year by well over
17 50 percent for each indicator.

18 The level of capacity utilization, an
19 important indicator of industry health, as you know,
20 fell below 50 percent in 2005 and has declined each
21 period thereafter.

22 The trend in the important financial
23 indicators was equally severe. M&B's operating
24 profitability was in a loss posture or break even for
25 all the years in the period of investigation, and

1 operating profits plunged in the most recent period,
2 January through June 2007, as M&B's data will show.

3 The overwhelming, if not sole, cause of the
4 domestic industry's implosion is imports from China.
5 As a best estimate of the demand condition of
6 competition, we would characterize the market for this
7 basic steel fabricated product as stable with apparent
8 consumption rising slightly from 2004 to 2006 and
9 declining somewhat between the interim periods. This
10 basically stable market is also characterized as such
11 by other questionnaires that you have received.

12 Hence, the implosion of the domestic
13 industry cannot be blamed on sharply declining demand
14 or the introduction of new or substitute products.
15 The ITC will find, as it did in the 421 case and as is
16 already evident from the questionnaire responses from
17 various parties, that "there are no comparably priced
18 substitutes." That's from the Section 421 at page 17.

19 The only factor that has changed in this
20 mature market is on the supply side. In just the
21 three short years of the period of investigation,
22 imports from China increased from 773.3 million units
23 to 1.78 billion units or by a phenomenal 130 percent.
24 In other words, over a billion additional Chinese
25 hangers have been jammed into a market that expanded

1 by less than one percent over the period 2004 to 2006.

2 In the last interim period for which data
3 are available, January through June 2007, imports from
4 China surged again, increasing by an additional 57.5
5 percent to 1.3 billion hangers. At 1.3 billion
6 hangers of imports, year to date, just January through
7 June, imports from China already exceeded the entire
8 year's volume of imports from China in 2005. This
9 phenomenal growth is summarized in Chart 5.

10 You will also see in Chart 5 imports from
11 other sources which have remained at stable, low and
12 benign levels and are increasingly dwarfed by the
13 surge in subject imports.

14 If I may make an aside, it is funny. I
15 don't seem to see in a quick look over the comparisons
16 of the level of Chinese versus Mexican imports on
17 Respondents' presentation. I wonder why? Perhaps the
18 staff could ask Respondents about the huge red
19 elephant that is in the room and that they don't
20 mention.

21 With nonsubject imports at stable, low
22 volumes throughout the period of investigation and
23 stable demand, it is apparent that the astounding
24 growth in subject imports has come totally at the
25 expense of U.S. producer shipments.

1 Our petition estimates, and that's in
2 Exhibit 10, and is illustrated in the next chart,
3 shows China's share in the U.S. market growing from an
4 already significant double digit share in 2004 --
5 remember the Commission so determined in 2003 -- grown
6 to the vast bulk of consumption in interim 2007, and
7 that's on Chart 6.

8 In fact, the red is China's share. The 2007
9 version of this pie chart reminds me of the old Pacman
10 video game with China poised to gobble up the other
11 much smaller market participants. Chinese producers
12 have accomplished this dramatic surge through
13 aggressive unfair pricing. Low prices are indeed the
14 only way to have captured such huge portions of the
15 market share in an otherwise stable market for a basic
16 commodity type product.

17 Data on pricing of specific products are
18 being compiled by the staff. What price comparisons
19 we do have, as reported by M&B, show Chinese prices at
20 well below U.S. prices for the same type hanger.
21 Chinese average unit values, as calculated from the
22 import statistics, show, not surprisingly, AUVs
23 declining throughout the POI and being well below the
24 AUVs of other import sources.

25 In short, the Commission's data will show

1 both significant price depression/suppression of U.S.
2 producer prices and significant underselling of U.S.
3 product offerings by imports from China.

4 As we discussed earlier, this huge surge in
5 imports from China captured U.S. market share on an
6 almost one-to-one basis from U.S producers over the
7 POI. The predictable result has been the closure of
8 the great majority of U.S. capacity, as we've
9 detailed, and the unprecedented decline in all the
10 trade and financial indicators examined by the
11 Commission as Chart 4 and the rest of these charts
12 show.

13 With these truly dreadful levels and trends
14 in domestic industry data and the strong, unambiguous
15 data on Chinese import volume and pricing, it is going
16 to be distinctively anticlimactic, if not superfluous,
17 to present data on the threat of continued injury.
18 Nevertheless, the foreign producers' questionnaire
19 responses which we have received to this point deserve
20 some comment.

21 First, only 12 Chinese producers have
22 submitted responses as of this conference. Now, we're
23 not criticizing Respondents on this issue. It takes
24 time to get these responses in, especially when you're
25 taken by surprise. We're not criticizing them yet

1 anyway.

2 We just mention this to bring to the staff
3 and the Commission's attention to the fact that
4 despite these phenomenal trends in capacity,
5 production and exports that these questionnaires are
6 going to report, the totals that you're going to have
7 and that you're going to have in your staff report
8 that the Commission sees greatly underestimate the
9 real growth of the Chinese hanger industry, the level
10 and the trends.

11 In fact, we list 64, not 12, producers and
12 exporters of garment hangers in China in our petition
13 at Exhibit 14. In total, we estimate China's current
14 capacity to be about 3.8 billion hangers per year.
15 This total is greater than that of the total
16 consumption in the United States.

17 To date, over the POI this capacity has
18 resulted in a significant rate of increase in the
19 volume of imports, and I think we would be safe to
20 characterize a 130 percent increase as significant,
21 and a significant increase in market penetration. We
22 think a tripling from 20 percent to well over 75
23 percent of the market in three years is also
24 significant.

25 Notwithstanding the above, what has been

1 supplied in the foreign producers' questionnaires
2 shows substantial unused capacity. Capacity
3 utilization is reported as only 79 percent in 2007
4 full year projections. Furthermore, capacity has
5 increased by a substantial 70 percent over the period
6 and is projected to increase by an additional 14
7 percent in 2008.

8 To go along with this capacity, production
9 is reported to have increased 126 percent over the POI
10 and exports to the United States by 120 percent 2004
11 to 2006. These numbers were absent the latest
12 addition of one questionnaire that came in last night.

13 The largest market for shipments for all
14 these producers in China is the United States.
15 Indeed, only four producers of 11 report any home
16 market shipments at all. Most important in the
17 context of production and capacity is the fact, a well
18 settled fact, that garment hangers are produced on
19 machinery that is dedicated to that purpose.

20 There are no other products that can be
21 produced on this equipment and very few export outlets
22 for garment hangers. The rest of the world just
23 doesn't use garment hangers; certainly no other export
24 outlets for this vast Chinese capacity that come close
25 to the U.S. market in size. In fact, foreign producer

1 questionnaires report the United States was at least
2 90 percent of their total exports for all years of the
3 period.

4 These factors mean that a huge buildup of
5 capacity will remain trained on the United States, a
6 clear and imminent threat to what remains of the U.S.
7 industry.

8 Finally, in terms of prices absent effective
9 relief in this case the Chinese will continue to
10 undersell by large margins at lower and lower prices
11 as they compete with each other for the large market
12 share they now have and for what remains of U.S.
13 producers' share. The pricing data you will be
14 compiling soon will show large margins of underselling
15 and price suppression and depression.

16 That concludes my presentation. Thank you
17 for your attention.

18 MR. WAITE: Mr. Carpenter, that concludes
19 our panel's presentation. We're now available to
20 respond to any questions from you and your colleagues.

21 MR. CARPENTER: Okay. Thank you very much,
22 panel, for your presentations.

23 We'll begin the questions with Mr. Ruggles.

24 MR. RUGGLES: Fred Ruggles, Office of
25 Investigations.

1 In Mexico you have a plant. Is there any
2 other Mexican production of hangers?

3 MR. MAGNUS: Milton Magnus, president of M&B
4 Metal Products. Yes, there's other production of
5 Mexican hangers.

6 MR. RUGGLES: Could you in a postconference
7 brief give us an estimate of how much production is
8 down there and how much capacity?

9 MR. MAGNUS: Yes, we can.

10 MR. RUGGLES: Do you know if they export to
11 the United States?

12 MR. MAGNUS: I do not believe they do.

13 MR. RUGGLES: Okay. Do you know of any
14 other countries that export to the United States?

15 MR. MAGNUS: No, I do not. I do not believe
16 there are any other countries exporting to the United
17 States.

18 MR. RUGGLES: Okay.

19 MR. WAITE: Excuse me, Mr. Ruggles. You
20 assume, I know, any other countries except China.
21 That's correct.

22 MR. RUGGLES: Fred, every once in a while I
23 have to get something after you.

24 The other is do you know if any like Korea,
25 Japan, anybody else going to export to the United

1 States?

2 MR. MAGNUS: To my knowledge, no. The
3 records show that China and our plant in Mexico are
4 the only two countries exporting to the United States.

5 MR. RUGGLES: And is there any other market
6 other than the United States for steel wire garment
7 hangers?

8 MR. MAGNUS: Europe buys a few. You know,
9 South America probably buys some, but nowhere near the
10 market the United States has.

11 MR. RUGGLES: Thank you.

12 MR. CARPENTER: Mr. Corkran? We'll go to
13 Mr. Haldenstein at this point.

14 MR. HALDENSTEIN: I did have a question
15 about what the rest of the world uses instead of
16 garment hangers. Do they use a different type of
17 hanger?

18 MR. MAGNUS: This is Milton Magnus again
19 with M&B. They use a more permanent hanger, or when
20 you get your clothes cleaned in some countries they
21 send them back folded.

22 There are no countries except for maybe a
23 little bit in France I guess that uses textile rental
24 services also, which use a lot of hangers.

25 MR. HALDENSTEIN: Also in the postconference

1 brief, Mr. Waite, if you could provide a discussion of
2 the related party provision and whether you think any
3 of these producers that have begun importing should be
4 excluded under that provision?

5 MR. WAITE: Yes.

6 MR. HALDENSTEIN: I would appreciate that.

7 MR. WAITE: We will address that question in
8 our postconference brief. Thank you.

9 MR. HALDENSTEIN: That's the only other
10 question I have. Thank you.

11 MR. CARPENTER: Mr. Greene?

12 MR. GREENE: Bill Greene, Office of
13 Economics.

14 Could you tell us how the U.S. demand for
15 hangers has changed since 2004 and, if there has been
16 a change in demand, what are the principal factors
17 that affected demand?

18 MR. MAGNUS: Milton Magnus with M&B.
19 There's basically been a flat market, one or two
20 percent up or one or two percent down. The economic
21 affects it a little bit, but it's really a flat
22 business right now.

23 MR. MAGRATH: Mr. Greene, our petition I
24 think does a really good job of estimating at Exhibit
25 10 total market. It's not hard to do, considering

1 that M&B is the only significant producer left in the
2 United States and the imports are a matter of public
3 record.

4 The demand has stayed flat. This is a
5 mature industry and a mature market, so it's only
6 varied by a percentage point or two. That's one of
7 the conditions of competition.

8 Interestingly enough, without going into
9 anything confidential, the market being stable, it's
10 also characterized as stable in the other
11 questionnaire responses or some of the other
12 questionnaire responses you've received.

13 MR. GREENE: Okay. Have raw material prices
14 changed significantly since 2004? If so, please
15 describe these price changes and their impact on your
16 firm's profitability to the extent you can publicly.

17 MR. MAGNUS: Beginning in I guess 2004,
18 steel prices worldwide increased. Naturally if we
19 can't raise our prices after raw material costs go up
20 it affects our profitability. Most of our other raw
21 materials have stayed fairly stable.

22 MR. MAGRATH: Mr. Greene, as you know, there
23 are always two elements to that. One is the increased
24 cost. They don't hurt U.S. producers if you can put
25 in price increases that you can pass along to the

1 customers.

2 I think you're going to be seeing price
3 suppression/depression in this case. M&B and the
4 other hanger producers that went out of business were
5 not able to pass on the steel raw material price
6 increases that began in 2004 on to their customers
7 because of what we've characterized as the red
8 elephant in the room.

9 MR. GREENE: Can you describe how prices are
10 typically negotiated in this industry, and do your
11 customers usually solicit price quotes from multiple
12 sources or do the customers tend to buy from a single
13 supplier?

14 Do customers require suppliers to meet
15 stringent specifications with respect to factors such
16 as quality?

17 MR. PEDELTY: Steve Pedelty with M&B. We
18 basically have our two customer segments.

19 On the distributor side the prices tend to
20 be discussed almost with every order. If prices have
21 not changed there's not too much discussion, but the
22 last couple of years prices seem to change with almost
23 every order. Typically the standard we're held
24 against are China prices because they tend to be
25 lower.

1 The uniform side, again they do a lot of
2 spot buying. We do not have contracts with any of our
3 customers, so again when they call us with orders if
4 the price has dropped they'll mention it to us.

5 It does seem to be a little more consistent
6 on the uniform side up until the last couple of years.
7 As China products have gotten in there it's gotten a
8 lot more competitive. Basically we have no contracts,
9 and prices are worked on almost with every order.

10 MR. GREENE: Are there any significant
11 differences in factors such as delivery times and
12 reliability, product range, sales terms, service or
13 other factors when comparing U.S. produced and
14 imported Chinese products?

15 MR. PEDELTY: There are some big
16 differences. You know, our typical lead time on a
17 delivered order is less than five days. Quite often
18 people run out of hangers either because they forgot
19 to order them or because the container is late from
20 China.

21 We can deliver next day, and that's one
22 reason why we have maintained some of the business we
23 have because of the service issues. Even with those
24 orders, they give those to us at times begrudgingly
25 saying look, I'm paying you a premium, but I've got to

1 have hangers within a very short timespan.

2 From the service side our service is
3 superior, three to five days versus eight to 10 weeks
4 from China. We help them keep inventories low. They
5 prefer lower inventories and quicker turns.

6 MR. MAGRATH: The quick delivery is a reason
7 why M&B and these two regional producers may be able
8 to hang on, but this product isn't bananas.

9 The product can be brought in well ahead of
10 time and inventoried and then distributed and sold in
11 the United States, so it's a good thing for the U.S.
12 producers to have, but it's a minor factor not moving
13 the market, as you can tell from the data.

14 MR. GREENE: Thank you.

15 MR. CARPENTER: Mr. Yost?

16 MR. YOST: Good morning. Charles Yost from
17 the Office of Investigations.

18 I'd like to return for just one moment to
19 raw materials and ask Mr. Magnus. Do you draw your
20 wire from rod, or do you purchase wire?

21 MR. MAGNUS: Milton Magnus, M&B. Yes, we
22 draw our own rod down into wire.

23 MR. YOST: Have you ever thought of
24 purchasing wire from China for rod?

25 MR. MAGNUS: Finished wire?

1 MR. YOST: Yes, sir.

2 MR. MAGNUS: No, we haven't bought finished
3 wire from China or thought about purchasing finished
4 wire from China.

5 MR. YOST: And how about rod from China?

6 MR. MAGNUS: We have purchased rod from
7 China.

8 MR. YOST: And how do you find the quality
9 of that?

10 MR. MAGNUS: Acceptable, but not as good as
11 the domestic rod.

12 MR. YOST: Okay. Mr. Magrath indicated that
13 steel prices certainly have increased beginning in
14 2004, and we've seen that in other investigations.
15 Would you characterize that as correct for energy
16 costs as well?

17 MR. MAGNUS: Milton Magnus again. Energy
18 costs have gone up, especially when you're talking
19 about delivery cost has gone up dramatically.

20 As far as our local energy costs with our
21 power company and our gas company it's gone up a
22 little, but not as dramatic as wire rod has.

23 MR. YOST: Is that as significant an
24 increase as, for example, the increase in steel
25 prices?

1 MR. MAGNUS: No. The energy has not gone up
2 as significantly as steel prices.

3 MR. YOST: Okay. Are your costs affected by
4 product mix?

5 MR. MAGNUS: Excuse me? Please repeat that.

6 MR. MAGNUS: Are your manufacturing costs
7 affected by your product mix? In other words, if you
8 switch from one type of hanger to another do your
9 costs increase or decrease? I'm talking about your
10 average product mix over the course of a fairly long
11 period.

12 MR. MAGNUS: Some of our products cost more
13 to produce than others. Our products that we add
14 paper to and cardboard naturally are more expensive to
15 produce than hangers that are just wire. Usually
16 those costs -- I mean, all the time those costs -- are
17 specifically put on that product.

18 Naturally the more hangers we produce in a
19 single factory, whether it be paper and no paper, our
20 overhead costs will go down if we're producing more
21 hangers.

22 MR. YOST: Yes, I understand that. What I'm
23 getting at is whether you've noticed as your product
24 mix in sales terms has changed whether that's affected
25 your costs, whether the costs have gone down or gone

1 up as a result of product mix changes.

2 MR. MAGNUS: Because we've chose not to
3 produce some products in Alabama, some of our costs
4 have gone down.

5 MR. YOST: Okay. Mr. Perry in his opening
6 remarks indicated that production costs in the U.S.,
7 Mexico and China are -- I think these were numbers he
8 provided -- \$42, \$31 and \$28 per 1,000. Would you
9 agree with these numbers?

10 MR. MAGNUS: Milton Magnus again. No, sir,
11 I would not.

12 MR. YOST: Would you say they're higher or
13 lower? How would you characterize them?

14 MR. MAGNUS: We'll respond back to you in a
15 confidential manner.

16 MR. YOST: Okay. I appreciate that. I have
17 one final comment, and that's a caution to make sure
18 that purchased inventory in the form of hangers that
19 you have then resold are not included in M&B's
20 producer questionnaire response.

21 MR. WAITE: We appreciate that caution, Mr.
22 Yost, and they are not included in M&B's response.

23 MR. YOST: Okay.

24 MR. WAITE: We have discriminated and put
25 only products that they produce into their producer

1 questionnaire response.

2 MR. YOST: Okay. Thank you very much. That
3 concludes my questions.

4 MR. CARPENTER: Ms. Taylor?

5 MS. TAYLOR: Karen Taylor, Office of
6 Industries.

7 I do have a question concerning the
8 differences between the production process and
9 machinery in the United States versus the process and
10 machinery in China.

11 You had mentioned that at least with the
12 powdered coating process it's much less efficient in
13 China because it's done manually. Are there any other
14 differences between production here and in China?

15 MR. MAGNUS: Milton Magnus, M&B Metal
16 Products. We manufacture our tubes automatically on
17 automatic tube machines, very little labor. I've been
18 to tube factories for the strut hanger in China, and
19 the factories I have been to are very manual labors.
20 As far as assembling the tube onto the wire it's
21 manually also, the factories I have been to, where
22 ours are assembled by machines.

23 The capping operation, the one with the capping
24 paper on it, the factories I have been to manually
25 glue the paper onto the hanger by hand, where all of

1 ours are done automatically.

2 MS. TAYLOR: Thank you.

3 The fabrication itself, I can assume it's
4 done by machine both here and in China?

5 MR. MAGNUS: Milton Magnus. Yes, that is
6 correct.

7 MS. TAYLOR: All right. Thank you. That
8 concludes my questions.

9 MR. CARPENTER: Mr. Corkran?

10 MR. CORKRAN: Douglas Corkran, Office of
11 Investigations. First, thank you all very much for
12 your testimony today. It's been extremely helpful and
13 very much appreciated.

14 Second, before I start my questions I just
15 wanted to preface it by saying that some of the
16 material you will have already covered in your brief
17 or through questionnaires, but it is helpful sometimes
18 to be able to package it all together in public
19 testimony, so it's not that I'm not familiar with
20 information you've provided, but I do want to try to
21 get it all on the public record, or as much on the
22 public record as possible.

23 The first question I had goes to the
24 industry in Mexico. I was wondering if you could give
25 me a bit of a background on how that industry has

1 developed.

2 Looking over the data in the 421 on hangers
3 at the time that they were collecting data, imports
4 from sources other than China were very small. Those
5 are numbers that have increased over time, although
6 looking at the data for the current period it appears
7 to have stabilized at 280 million to 300 million
8 hangers per year.

9 Anyway, if you could just give me some
10 background on how the industry has developed in
11 Mexico?

12 MR. MAGNUS: Milton Magnus with M&B Metal
13 Products. The total industry in Mexico is made up of
14 several small producers of hangers and our plant
15 there.

16 In 2003, Cleaners Hanger Company went out of
17 business and left a tremendous void in the United
18 States temporarily on hangers. You'll see the
19 increase between 2003 and 2004 being part of that void
20 that Cleaners Hanger left, and then you'll see after
21 2004 it's relatively flat. The reason the increase
22 between 2003 and 2004 is to make up the void that
23 Cleaners Hanger left.

24 MR. CORKRAN: Okay. Just to tie those two
25 thoughts together, approximately what was the volume

1 of shipments for CHC? You said that Mexico in part
2 filled that void, but what was the actual gap that was
3 left?

4 MR. PEDELTY: Steve Pedelty with M&B. Of
5 course, I worked for CHC for 24 years, 23 years. You
6 know, at our peak we were pushing two billion hangers.

7 You know, a lot of those numbers are just in
8 my head. Certainly China had a huge effect on us, and
9 our numbers were heading south starting in 1999. You
10 know, we typically were around 150 million units a
11 month.

12 MR. CORKRAN: Okay. Thank you. That's very
13 helpful.

14 My second question goes to how and where you
15 were able to supply customers. You have a facility in
16 Alabama. You have a facility in Mexico. How do you
17 supply customers throughout the United States? Even
18 more specifically, how do you service customers on the
19 west coast, for example?

20 MR. MAGNUS: Milton Magnus with M&B Metal
21 Products. Alabama and Mexico are both closer than
22 China, and we ship by freight line to California from
23 Alabama, and we ship by piggybacks also.

24 MR. CORKRAN: Okay. Even when you had a
25 facility in Virginia though, geographically your

1 testimony is that you were shipping by rail to get out
2 to the west coast?

3 MR. MAGNUS: By piggyback, you know, a truck
4 on a railway.

5 MR. CORKRAN: Has the west coast ever been a
6 particular large market for your firm?

7 MR. MAGNUS: Milton Magnus. No, it hasn't.

8 MR. CORKRAN: My next question also relates
9 to customers, but it goes to the size of customers.

10 How is your distribution system set up? Do
11 you have a minimum size of customer that you prefer to
12 deal with, or is it fairly open-ended in terms of your
13 customers?

14 MR. MAGNUS: Milton Magnus. It's fairly
15 open-ended.

16 We like the big customers, but we also like
17 to have a lot of small customers so if something
18 happens and you lose a small customer it doesn't
19 affect your business as much as you do if you lose a
20 big customer.

21 MR. CORKRAN: But do you have a cutoff or a
22 minimum size that you require, minimum volume for
23 purchasing directly?

24 MR. MAGNUS: Milton Magnus. Years ago it
25 used to be truckloads, but now because we are mainly

1 for distributors we're basically a fill-in company for
2 a lot of distributors. It is much less than a
3 truckload. We like to maintain a 300 box minimum.

4 MR. CORKRAN: Thank you. That's very
5 helpful.

6 What was the disposition of the equipment in
7 your Virginia facility when you closed it?

8 MR. MAGNUS: Milton Magnus. Most of it is
9 sitting in a shed in Alabama. Some of it went to
10 Mexico.

11 MR. CORKRAN: Not to get into too much
12 confidential information, but can you give us a sense
13 of what? Was it distributed half and half? Was it
14 product specific?

15 Was the equipment that was specific to
16 certain products shipped to Mexico, or is the majority
17 of the equipment still in Alabama?

18 MR. MAGNUS: It was a little product
19 specific. The products that were being just sold at
20 unbelievably low prices from China like a strut
21 hanger, some of our strut machines went to Mexico.
22 The ones that are in Alabama are not in operation.

23 If we had to put a specific percent of
24 machinery that went to Mexico versus Alabama, it was
25 probably 30 to 35 percent that went to Mexico and 60

1 to 65 percent or 65 to 70 percent that went to
2 Alabama.

3 MR. CORKRAN: Can you go over again? You
4 had indicated that in your facility in Alabama you
5 recently I think you said dropped a shift in its
6 entirety. Is that correct?

7 MR. MAGNUS: In February we did drop a shift
8 in its entirety. Presently we're running a full day
9 shift, a partial second and a partial third.

10 MR. CORKRAN: Following that decision, did
11 you shift any more of your equipment to Mexico, or did
12 you retain all of the equipment?

13 MR. MAGNUS: If we did, it was one or two
14 machines out of, you know, a lot of machines we have.
15 The Mexico plant is smaller than the Alabama plant.

16 You know, if we did, which we probably did,
17 it was a very, very, very small number. Most of it is
18 ready to be plugged back in in Alabama.

19 MR. WAITE: Mr. Corkran, Fred Waite. We can
20 get you specific information on all of the questions
21 you've been asking about disposition of machinery,
22 including other machinery that Mr. Magnus has
23 purchased from other defunct domestic producers.

24 MR. CORKRAN: Thank you. I'd appreciate
25 that.

1 What would be required to reinstitute the
2 shifts that have been dropped or were dropped in
3 February?

4 MR. MAGNUS: To receive dumping margins here
5 to where we could produce hangers profitably in
6 Alabama.

7 Most of the machines are operable. A lot of
8 them are still exactly where they were when we turned
9 them off. Advertising for people, hiring people and
10 training them.

11 MR. CORKRAN: Is your Mexican facility
12 operating at a reduced level of shifts, or is it
13 operating flat out?

14 MR. MAGNUS: Last year at this time we were
15 running three shifts. This time we're running two
16 shifts on most products.

17 MR. CORKRAN: Did that changeover occur at
18 roughly the same time as your Alabama facility; that
19 is, February of this year?

20 MR. MAGNUS: No. It happened in November, I
21 believe.

22 MR. CORKRAN: Okay. Again, thank you all
23 very much for your testimony. I have no further
24 questions.

25 MR. CARPENTER: I have a few questions as

1 well.

2 The Respondents in their opening statement
3 characterized this as a Bratsk case. The first
4 question is, Mr. Waite, would you agree that this is a
5 commodity product?

6 MR. WAITE: Oh, yes. We have stated in the
7 petition and we've provided evidence that steel wire
8 garment hangers are a commodity product, that they are
9 purchased in the United States almost exclusively on
10 the basis of price.

11 You heard some exceptions to that such as
12 fill-in orders, and I would also add we've been told
13 customer loyalty. It may surprise us here in
14 Washington where we tend to be very cynical about
15 these things, but there are still companies and people
16 in this country who prefer to buy American, who prefer
17 to buy from companies who have serviced them for the
18 last 40 or 50 years.

19 There's still some of that, but obviously
20 the exigencies of economics and commercial life in
21 this country have undermined that, as we've seen with
22 our good friends from United Hanger who held on for an
23 awfully long time in the face of the same kind of
24 unrelenting competition that Mr. Magnus has described
25 and Mr. Pedelty has described, but then eventually

1 succumbed.

2 MR. CARPENTER: Okay.

3 MR. WAITE: That's a long answer to say yes,
4 it's a commodity product.

5 MR. CARPENTER: Would you say that the
6 products from U.S., China and Mexico are comparable in
7 terms of product mix? Are there any significant
8 product mix issues?

9 MR. WAITE: Well, I would defer to Mr.
10 Magnus and Mr. Pedelty on that. I mean, we have
11 provided a great deal of information on how the
12 product mix has changed over the years.

13 Mr. Magnus pointed out, and as the
14 Commission found in the Section 421 case four years
15 ago, that the Chinese initially moved into white shirt
16 hangers, the most common type of hanger at that time
17 and perhaps the easiest market to penetrate, then
18 moved into the caped hanger and then the strut hanger
19 and now just recently the latex hangers.

20 The latest hanger penetration has been
21 relatively recent. As Mr. Magnus said, just at the
22 end of last year a customer who had sourced 100
23 percent domestic, or I believe that was Mr. Pedelty
24 who testified to this effect, had historically sourced
25 100 percent domestic conducted what you and we have

1 come to see in a number of investigations as a reverse
2 auction and moved overnight to 100 percent imported
3 product with the exception perhaps of a few fill-ins
4 here and there if a container were late or the hangers
5 that were provided didn't work on their machinery.

6 So, yes, they are comparable. One might
7 even say that by and large they're interchangeable.

8 MR. CARPENTER: Okay. Thank you.

9 In terms of a Bratsk replacement test, Mr.
10 Perry indicated in his opening statement that if an
11 order is imposed in this case that M&B would source
12 more from its Mexican operation rather than its U.S.
13 operations. Mr. Magnus, I believe you've already
14 refuted that saying that no, you would in fact source
15 more from your Alabama operation.

16 In terms of trying to flush this out, some
17 figures were given in terms of production costs, but
18 what I'm thinking of is since M&B imports from Mexico
19 and China, as well as producing in Alabama, you have a
20 decision to supply your customers from either your
21 Alabama operation or your Mexican operation or your
22 Chinese imports.

23 Could you give us in your postconference
24 brief figures that would indicate what basically your
25 costs are before profit from each of the sources?

1 Because the Respondents are indicating that you would
2 be better off sourcing more from Mexico because of the
3 lower cost. That would increase your profits.

4 I'm trying to get a handle on this and see.
5 Maybe it depends on where your customers are located
6 and transportation costs, but right now they're saying
7 one thing. You're saying something else. I was
8 wondering if you could in your brief try to make a
9 persuasive argument as you can as to why you would not
10 simply source more from Mexico, but in fact you would
11 source more from Alabama.

12 MR. WAITE: Mr. Carpenter, you've actually
13 walked us through a very interesting colloquy on
14 Bratsk.

15 I do appreciate Mr. Perry's recognition of
16 our role as counsel to the appellant in the Bratsk
17 case, who actually wasn't Bratsk. It was a company
18 called Suwall. But I have to say that the Bratsk case
19 that Mr. Perry purported to described and the Bratsk
20 case that I argued and the Bratsk decision issued by
21 the Court of Appeals for the Federal Circuit are two
22 very different things.

23 First of all, Mr. Perry said we represented
24 a Ukrainian aluminum producer. Actually, it was a
25 Russian silicon metal producer. We represented the

1 Ukrainian magnesium producer in the Gerald Metals
2 case, which I think is embraced with as much affection
3 as the Bratsk case is by this honorable body, but the
4 Bratsk does not stand for what Mr. Perry said it
5 stands for, and it certainly doesn't stand for what he
6 characterized that President Bush concluded in the 421
7 case.

8 I don't want to address in this forum,
9 because I think it's inappropriate, the prescience
10 that the President brings to many of his decisions,
11 but I can say in the 421 case it was as faulty as
12 perhaps the prescience brought by any chief executive
13 to any decision that has ever been made in the White
14 House.

15 The Bratsk case stands for a very
16 fundamental, simple principle. It's not if a dumping
17 order is imposed the subject country will stop
18 shipping and customers will purchase from other
19 countries. That may be a consequence of the dumping
20 order, but that's not Bratsk. Bratsk is not forward
21 looking. It's backward looking.

22 Bratsk says, the Honorable Court of Appeals
23 said, in analyzing causation if there are nonsubject
24 imports present and available in the market that can
25 or could have replaced the subject imports, and then

1 it looked at the factors that you described, Mr.
2 Carpenter -- availability, interchangeability,
3 pricing, commodity nature of the product.

4 Then the Commission must look further and
5 decide whether or not the presence in the market of
6 those nonsubject imports would have severed the
7 causation link between the subject imports and any
8 material injury or threat of material injury that may
9 have occurred.

10 I would note that in the Bratsk case, as
11 well as in the preceding Gerald Metals case,
12 nonsubject imports dominated the import market in the
13 United States. In the Bratsk case, silicon metal
14 imports from nonsubject imports during the period of
15 investigation averaged about 75 and as high as 85
16 percent of total imports.

17 Clearly the Court could see that and say we
18 have enormous capacity in these other countries. They
19 have shown an ability to sell into the U.S. market.
20 Indeed, they are the predominant import source in the
21 U.S. market. The Commission must examine that and
22 determine whether that fact severed the causal link
23 that the Commission found in the material injury
24 caused by Russian imports.

25 What do you have in this case? You have the

1 tail wagging the dog. You have the capacity figures
2 for Mr. Magnus' operation in Mexico. You know what
3 they can produce. You know what the import levels are
4 from China.

5 During the entire period of this
6 investigation imports from China, as Mr. Magrath's
7 chart showed, dominated all imports. There's simply
8 no way that imports from Mexico or any other source
9 for that matter could have replaced Chinese imports in
10 this market.

11 You have an enormous industry in China.
12 Again, you've received questionnaire responses, as we
13 have, from 12 Chinese producers. That in our
14 estimation is still a very small part of the total
15 number of producers in China, but with just that
16 information you can see the enormous capacity, the
17 enormous unused capacity, the number of companies that
18 have gotten into this market since 2004, new entrants
19 in the market, the number of companies who are
20 planning to expand in 2007 and 2008.

21 This is simply not a Bratsk case. It is
22 laughable, but I can't laugh because I think it
23 reflects the desperation that's been felt by the
24 former producers who are sitting behind me as they
25 tried to deal with this tsunami of imports from China

1 and survived for a number of years, but then finally
2 threw in the towel because they could no longer meet
3 the rapidly decreasing prices as the Chinese not only
4 undersold the United States producers and drove
5 companies that had been in business for generations
6 out of business, but as they competed with each other
7 to drive down the price.

8 So Bratsk absolutely plays no role in this
9 analysis, and I think if Respondents' counsel took
10 that argument to the Court of International Trade and
11 certainly if they went to the Court of Appeals they
12 would be told very promptly you've got it all wrong.

13 Bratsk does not stand for the proposition
14 that if an order is issued customers may find new
15 sources. Bratsk stands for a completely different
16 proposition, as I've just outlined, and I'd be
17 delighted to address this in somewhat more detail and
18 perhaps more cogently in our postconference brief, and
19 I would be delighted to share our briefs in Bratsk and
20 Gerald Metals with Respondents' counsel for their
21 edification if they so desired.

22 Thank you, Mr. Carpenter.

23 MR. CARPENTER: Thank you for that
24 historical perspective and those insights.

25 I take it then that you would not consider

1 the nonsubject imports from Mexico, their presence in
2 the market during the period of investigation, to be
3 significant?

4 MR. WAITE: They weren't. Dr. Magrath can
5 address that in terms of economic terms.

6 In legal terms, they're not significant and
7 they don't stand for any principle that this body is
8 familiar with under Bratsk, Gerald Metals or any of
9 its progeny.

10 MR. CARPENTER: Thank you.

11 There was also the assertion made that
12 Mexico is the reason that the other producers went to
13 China. Would you have any comments you'd like to
14 offer on that assertion?

15 MR. MAGNUS: Milton Magnus, M&B Metal
16 Products. I have no idea what the other producers
17 think, so I can't answer that.

18 MR. CARPENTER: Okay.

19 MR. WAITE: Mr. Carpenter, Fred Waite.
20 Again, if you look at the questionnaire responses from
21 the other producers I think they tell a very different
22 story as to with whom they were competing and to whom
23 they were losing sales.

24 I also think that the history that we
25 provided in the petition makes that story very clear

1 as well.

2 MR. CARPENTER: Okay. Thank you.

3 Yes? Mr. Corkran has another question.

4 MR. CORKRAN: Sorry. I'll make this very
5 brief. I have two questions, one of which will be for
6 you, Mr. Waite, probably for the postconference brief.

7 It just struck me when you characterized the
8 imports from Mexico as not being significant. Looking
9 at the volume that's entering right now, I was
10 comparing it against the volume of imports that was
11 coming in from China at the time of the 421, at least
12 through 2001.

13 The volumes are somewhat similar, so I was
14 just struck by the characterization that the imports
15 from Mexico were not significant. Do you have
16 anything that you want to add on that?

17 I understand that you already said that Dr.
18 Magrath would also address it later as well.

19 MR. WAITE: Yes, Mr. Corkran, we will
20 address that. One interesting point, of course, is
21 that during the period of investigation, the majority,
22 significant majority of shipments of hangers by M&B
23 were of hangers produced in the United States, not
24 hangers produced in Mexico. That's shipments in the
25 United States market, and we can provide that

1 information to you as well, although it's available in
2 raw form in our questionnaire responses as well as in
3 our petition, but we will address your specific
4 question in our post-conference brief.

5 MR. MAGRATH: Mr. Corkran, we know you've
6 got the import statistics. Our import statistics are
7 on Exhibit 1 of the petition, and to say even at the
8 start of the period of investigation, 2004, that the
9 Mexican and Chinese levels were similar is, I'm sorry,
10 not, to my mind, correct. The other one of China is
11 way more than double what the Mexican imports are.
12 Certainly -- and you know, our charts 5 here showing
13 this is not only Mexico, but all other imports other
14 than China.

15 You can see this low level of blue here
16 that's basically, volume-wise, has remained stable
17 over the entire period of investigation, versus this
18 huge increase in the red bars. That seems to tell a
19 different story. And then finally, our Pacman chart
20 here, 6, of course the most striking this is the
21 growth of China, but the other is, in terms of the
22 entire circle, the entire pie characterizes the US
23 market in both those years, and the 'other' there, the
24 little yellow slice that the big China guy is about to
25 eat up, is about the same here, both at the start of

1 the POI and in the latest period of the POI.

2 It is, as we said in our testimony, an
3 almost one-for-one, that the Chinese have taken it out
4 of the hide of US producer shipments, rather than
5 Mexico or any other source going anywhere.

6 MR. CORKRAN: My question, just to be clear
7 for purposes of the post-conference brief, I'm looking
8 at data that appears on Table 6 of the 421 report, and
9 again, my comment was not geared so much even toward
10 where volumes are or where relative volumes are for
11 imports from China and imports from Mexico from 2004
12 forward.

13 It was more being struck by the statement
14 that the imports from Mexico, looked at individually,
15 were not significant, and the fact that at the time of
16 the 421 -- so I'm looking now at data for 2000 and
17 2001 -- those import volumes, for which there were
18 many characterizations made regarding imports from
19 China, were about the same level as current imports
20 from Mexico, and in fact, going back through at least
21 2004 imports from Mexico. But I certainly take your
22 point about relative volumes from 2000 forward.

23 My second question goes to Mr. Magnus, and
24 that was, in terms of your company's sourcing product
25 from Mexico, do you source from any other supplier in

1 Mexico other than your own operations down there?

2 MR. MAGNUS: Milton Magnus, M&B. No, we
3 don't.

4 MR. CORKRAN: Thank you. That was the last
5 of my questions.

6 MR. CARPENTER: Mr. Haldenstein?

7 MR. HALDENSTEIN: Mike Haldenstein, general
8 counsel. This is for Mr. Magnus. Can you discuss to
9 any extent publicly what you are importing from China
10 and the reason for your importing?

11 MR. MAGNUS: We are importing into the US,
12 90, 95% of what we're importing is strut hangers from
13 China.

14 MR. HALDENSTEIN: Strut hangers, did you
15 say?

16 MR. MAGNUS: Yes.

17 MR. HALDENSTEIN: Thank you.

18 MR. MAGNUS: We are importing strut hangers
19 because the cost we can buy them FOB Shanghai is about
20 half of what our production cost is or less, and by
21 the time we get them here, they are still a lot less
22 than what it would cost to produce them in Alabama.

23 MR. HALDENSTEIN: Thank you. That's all.

24 MR. CARPENTER: Once again, panel, thank you
25 very much for your presentation and your responses to

1 our questions. We very much appreciate that, and
2 thank you for coming here today to help us out with
3 this. At this point, we'll take about a 10-minute
4 break and resume the conference at 11:25 with the
5 Respondents' testimony.

6 (Whereupon, a brief recess was taken.)MR.

7 CARPENTER: Could we resume the conference now,
8 please? Please begin whenever you are ready.

9 MR. NEELEY: Thank you. I'm Jeff Neeley.
10 I'm going to start off for the Respondents' side.
11 Jeff Neeley from the law firm of Greenberg Traurig.
12 I'm here today with my colleague, Bob Stang, also with
13 Greenberg Traurig. We are here on behalf of the China
14 Chamber of Commerce for Light Industries & Arts and
15 Crafts, as well as 11 companies who are producers and
16 exporters of subject merchandise from China.

17 I want to start out, I didn't think I was
18 going to have to address this issue, but Mr. Magrath
19 raised the issue of coverage from the Chinese
20 industry. I'm a bit puzzled by that. As far as we
21 can tell, we have virtually 100% coverage at the
22 moment, and I say that based on looking at the import
23 statistics from the US government and comparing that
24 to the exports that we reported.

25 I mean, certainly, we've made an attempt to

1 get 100% coverage. I think we have succeeded. I
2 think what it may show is not that we have been
3 unsuccessful in getting complete coverage, but just
4 how shaky the capacity utilization, the capacity
5 figures are that you are getting from the other side,
6 because he's starting with the assumption that
7 capacity is X and saying we don't have complete
8 coverage.

9 Well, the reality is, the real check is, I
10 think, the import statistics of the United States, and
11 I believe that when you compare the two, you'll see
12 that we have very, very good coverage.

13 MR. CARPENTER: Excuse me, Mr. Neeley, if I
14 might.

15 MR. NEELEY: Certainly.

16 MR. CARPENTER: When you say 100% coverage,
17 are you referring to exports from Chinese exporters or
18 are you referring to Chinese production as well?

19 MR. NEELEY: I'm referring to Chinese
20 exports to the United States.

21 MR. CARPENTER: Okay, thank you.

22 MR. NEELEY: And we heard, I should add,
23 that they should be pretty close to the same thing,
24 and the reason is that we also heard from the domestic
25 industry that, you know, nobody else in the world,

1 essentially, uses these products. I mean, if that's
2 the case, where is all this capacity overhang? It's a
3 little bit puzzling how you'd have all this capacity
4 in China, going exactly where?

5 It doesn't really make sense. I mean, I
6 don't think their story adds up very well. Anyway, if
7 we can help, if you can identify anybody that we have
8 missed, we will be glad to do it, but I don't think
9 we've missed anybody of significance.

10 MR. CARPENTER: That's very helpful, thank
11 you.

12 MR. NEELEY: I start out with a little bit
13 of background on the case. The requirement, of
14 course, of the statute in 19 U.S.C. 1673 is that a US
15 industry must be materially injured or threatened by
16 reason of less than fair value imports, and it's the
17 causation issue that we're here, principally, to talk
18 about today. It means that the US industry must be
19 injured by Chinese imports, not by some worldwide
20 market price for hangers, and here we have plainly
21 what is a very low technology product.

22 This is not semiconductors. This is not a
23 product where there are very high barriers to entry.
24 In addition, as the Commission staff well knows, the
25 statute says in 19 U.S.C. 1677(4) that the industry is

1 the US producers as a whole of the domestic like
2 product. I'll turn back to that in a moment, but I
3 think that what we've heard from M&B and from their
4 attorneys, there is an inconsistency in the way that
5 they are defining the industry, and I think that the
6 Commission needs to straighten that out during the
7 course of this preliminary investigation.

8 M&B has basically pursued a strategy that
9 recognizes that there are few barriers to entry into
10 this industry, and that there are multiple producers
11 and potential producers throughout the world. It is
12 both produced in the US and it has been a substantial
13 importer of hangers. This is basically the same
14 strategy that all the folks here today on the
15 Respondents' side have pursued as well.

16 It's a strategy that does not take a rocket
17 scientist to figure out. This is a low technology
18 good, and it is a very competitive industry as a
19 result. It is a commodity product, as Mr. Waite has
20 recognized. M&B's own website refers to its plant in
21 Mexico and to its imports from there. Greenberg
22 Traurig's Chinese clients have told us that M&B also
23 purchases, and M&B has acknowledged this, it has
24 purchased for several years substantial amounts of
25 hangers from China.

1 If it wasn't from China, it would have been
2 from some other foreign source. The reality is that
3 this is a commodity product where there are a number
4 of places that can produce these hangers for prices
5 and costs much lower than in the United States. We
6 will discuss in detail in a few minutes the Court of
7 Appeals ruling in the Bratsk case. I would say at the
8 outset that I think that Mr. Waite's characterization
9 of the case as a backward-looking case and not a
10 forward-looking case is fundamentally correct. I
11 don't disagree with him on that analysis.

12 I think that it is a causation analysis.
13 That's what Bratsk is about. But I would say that I
14 think his characterization is also incomplete,
15 conveniently so, and not surprisingly. His
16 characterization of Bratsk leaves out the fact of not
17 only the Mexican potential to enter the US market if
18 the Chinese are driven out, but the potential of
19 numerous producers throughout the world to enter this
20 market.

21 There is a world price for hangers. It's a
22 low technology good. Barriers to entry are low.
23 That's what keeps prices down, not anything nefarious
24 that the Chinese producers are doing, and when that
25 happens, you get to the Bratsk analysis. You get

1 there because you need to determine, what is going on
2 with causation? Is it being caused by China or is it
3 being caused by something else? And that's basically
4 what Bratsk says, and we'll go back to that, we'll
5 quote some of the language from the opinion, but
6 that's where we are coming from on this.

7 I think it might be a little different than
8 the way that Mr. Perry perhaps described it this
9 morning. I think we are not really looking so much --
10 I mean, it's an interesting fact that they may go to
11 Mexico. I don't know if they will or not. I don't
12 think we need to get into he says/she says about
13 whether they'll go to Mexico or not. I think it's
14 largely irrelevant.

15 I think the important point is that this
16 industry is not coming back here. It will go
17 someplace else, and that's interesting not because
18 it's looking to the future, but because it's also
19 looking to the past and what's keeping the prices down
20 now, what's going on now. I mean, it's a story that
21 should not just be seen as looking to the future, but
22 also, what is the current situation.

23 So we will discuss that in detail,
24 obviously, in our brief, but we'll also discuss it in
25 a few minutes here. First of all, I'd like to start

1 with a couple points of legal analysis. M&B has taken
2 what we believe to be a contradictory approach to the
3 US industry that's to be analyzed in this case. On
4 the one hand, it's claiming that the US government
5 should ignore any claims of former US producers that
6 they are members of the US industry for the purpose of
7 deciding standing.

8 That's what the Commerce Department is doing
9 this morning. The Federal Register notice was
10 published this morning. They were working on that
11 very standing issue. On the other hand, M&B is
12 claiming that the ITC should just examine the exit of
13 those companies from the US industry as part of its
14 analysis of injury. A big part of their petition talks
15 about that. Much of what we heard this morning talks
16 about that.

17 But they can't have it both ways. If the
18 companies are excluded for the purpose of standing,
19 they also ought to be excluded for the purpose of the
20 injury analysis, and if that's done, much of what we
21 heard this morning from these folks is completely
22 irrelevant. What we need to focus on is who the US
23 industry is now, by their own admission, which is M&B,
24 what's happening with M&B and their situation.

25 We'll address that again further in our

1 post-conference brief. The specific provision, as the
2 Commission staff knows, is 19 U.S.C. 1677(4)(D), which
3 states that the related parties are companies that
4 also import and can be excluded from the industry, and
5 it says, I'm quoting, 'the producer may, in
6 appropriate circumstances, be excluded from the
7 industry,' period, not be excluded for standing and
8 not for anything else. It says they are excluded.
9 You ought to exclude them.

10 Next, in assessing injury, and in light of
11 the conditions of this industry, the Commission ought
12 to take into account the Bratsk analysis and its
13 predecessor Gerald Metals. As the Commission knows,
14 Bratsk did follow Gerald Metals, and the description
15 in Bratsk of Gerald Metals was that 'the increase in
16 volume of subject imports priced below domestic
17 products and the decline in the domestic market
18 share,' which is what we have here, parenthetically,
19 'are not, in and of themselves, sufficient to
20 establish causation.'

21 Bratsk also goes on to say that the
22 Commission is required 'to make a specific causation
23 determination, and in that connection, to address
24 directly whether non-subject imports would have
25 replaced the subject imports without any beneficial

1 effect on domestic producers.' In Bratsk, the
2 Commission found that the domestic industry was able
3 to produce only a portion of demand.

4 That also is true in this case, and it has
5 been for several years. Bratsk also says, 'where
6 commodity products are at issue,' and we heard,
7 parenthetically, this morning that these are commodity
8 products, 'where commodity products are at issue and
9 fairly traded, price-competitive non-subject imports
10 are in the market, the Commission must explain why the
11 elimination of subject imports would benefit the
12 domestic industry instead of resulting in non-subject
13 imports' replacement of the subject imports' market
14 share without any beneficial impact on US producers.'

15 Again, we are back to this issue of causal
16 connection, and that's really what we are talking
17 about here. What we believe the Commission needs to
18 do here in order to meet the obligations under the
19 Bratsk analysis is to investigate, first of all, low-
20 priced Mexican imports, but also to investigate
21 potential imports from other countries. Both of those
22 things are holding down prices in the United States.
23 Nothing that China is doing will affect that one way
24 or the other.

25 Finally, we note that the Federal Circuit

1 stated that -- and this is in the Bratsk case -- that
2 the Gerald Metals analysis is triggered 'whenever the
3 antidumping investigation is centered on a commodity
4 product and price comparative non-subject imports are
5 a significant factor in the market.' That's what we
6 think we have here, both present potential imports
7 from Mexico and from other countries.

8 The reality is that this is an extremely
9 low-tech industry with low barriers to entry. It will
10 not take more than a couple of months, and these folks
11 can address this better than I am, I'm only a lawyer,
12 but they can address how easy it is to move the
13 production of these products from China to Vietnam, to
14 Malaysia, to Indonesia, to 2 kilometers down the road
15 from where they are in Mexico, to anyplace that they
16 choose to move it.

17 The present injury analysis, sort of
18 shifting to another topic, has to be for the US
19 industry, and I think that was hinted at this morning
20 in some of the questions of the staff. It's legally
21 required that the Commission require only injury to
22 the US industry and not to M&B's imports, and I think
23 we have to be very careful in distinguishing those.
24 For example, I think that M&B has been very careless
25 in presenting certain data and failing to distinguish

1 between US production and imports.

2 For example, lost sales allegations.

3 Without going into any details that I can't discuss in
4 a public forum, I would say that the Commission ought
5 to look very carefully at those lost sales allegations
6 because those lost sales allegations seem to us to be
7 discussing lost sales for which there is no US
8 production in some instances, and I think we need to
9 look at that and see what exactly is going on there.
10 Are we really talking about injury to the US industry,
11 or are we talking about injury to Mexican imports?

12 I think the Commission also ought to look at
13 lost sales allegations because in many instances those
14 allegations are extremely vague and call into question
15 at least whether M&B actually need a bona fide
16 proposal for some of that business. I think it would
17 be wise for the Commission to follow up and ask some
18 additional questions about the details of some of
19 those allegations. Again, we'll address that in the
20 brief in more detail.

21 We also believe that the Commission ought to
22 be careful to obtain pricing data for a representative
23 sample of M&B's products. The seven products that
24 were chosen, which I believe are the same products
25 that were involved in the Section 421 case, seem to

1 leave out a significant number of M&B's major
2 products, and that's just by comparing M&B's sales to
3 the coverage of the seven products.

4 We'll address that, because a lot of that
5 information is confidential, in the brief, but I think
6 the Commission would be wise to take a look at that to
7 make sure that the coverage is good and sufficient.
8 What the Commission should also take into account in
9 terms of causation is that the M&B business strategy
10 and the strategy of all the other producers is based
11 on the recognition that this product can be made
12 almost anywhere, and that the US does not have a
13 comparative advantage in making the product.

14 I've turned back to what the President said
15 in rejecting the Section 421 relief, and I think that
16 it is relevant, despite what Mr. Waite says, because
17 it goes to a very important economic fact of life, and
18 economic facts of life are very stubborn things. What
19 the President said, through the USTR I guess, is that
20 'there is a strong possibility that if additional
21 tariffs on Chinese wire hangers were imposed,
22 production would simply shift to third countries which
23 would not be subject to Section 421's China-specific
24 restrictions.

25 'In that event, import relief would have

1 little or no benefit for any domestic producer.' That
2 goes, of course, to the future, but it also goes to
3 the past. It goes to the causation issue. It goes to
4 what we are talking about in this situation. The
5 situation is exactly the same as it was when the
6 President rejected relief back in 2003. Current US
7 production capacity simply cannot meet demand for this
8 product, and it makes little economic sense to add
9 capacity here in the United States when there are
10 numerous countries in the world that can make this
11 product more cheaply.

12 Thus, whatever happens to this case, there
13 is absolutely no indication that price levels will
14 rise or volumes of US production or sales will
15 increase, or put in another way, there's no indication
16 that what has happened with the US industry to date
17 has anything to do with the Chinese imports. I think
18 that M&B itself recognizes this economic fact of life,
19 and has imported significant amounts of product from
20 China as well as Mexico.

21 In terms of the threat of injury, we think
22 that the analysis is fundamentally the same as it is
23 for the current injury. We think that there is no
24 indication of threat of injury, nor of current injury
25 to the domestic injury. In conclusion, I'd just say

1 that the Commission here should find in the negative
2 in this case because there is no causal link between
3 imports from China and the condition of the US
4 industry.

5 Instead, any negative effects on the US
6 industry are due to the high cost structure compared
7 to the rest of the world, and even if China were not
8 in the market during the period of investigation, the
9 condition of the US industry would have been
10 essentially 100% the same. Furthermore, the petition
11 and the information submitted by M&B are so
12 insufficient on major issues such as prices that the
13 Commission should not continue this case and find that
14 there is a reasonable indication of injury.

15 I will now turn to Mr. Perry and his group
16 to flesh out some of the factual issues in a bit more
17 detail. Thank you.

18 MR. PERRY: My name is William Perry of the
19 law firm Garvey Schubert Barer, and I am here
20 representing two of the major importers in the
21 product, Laidlaw and United Wire. I just wanted to
22 make one quick comment at the beginning. Mr. Waite
23 said that I unfairly characterized the Bratsk case. I
24 didn't characterize; I quoted. I quoted from the
25 court's decision and I also quoted from the

1 President's decision.

2 Mr. Neeley just reiterated the same quotes.
3 Those weren't characterizations. They were what the
4 court said. They were what the President said. And
5 if you look at those quotations, it appears this case
6 fits right into what the court and the President were
7 saying. At this point in time, however, I would like
8 to turn it over to Tom Schultz of Laidlaw.

9 MR. SCHULTZ: Hi, I'm Tom Schultz. I'm the
10 CEO of Laidlaw Company. We are the country's largest
11 supplier of steel wire garment hangers and have been
12 active in this business for over 80 years, primarily
13 as a manufacturer, more recently as an importer. I
14 speak on behalf of the firms that make up the vast
15 majority of our industry, end users who are primarily
16 industrial laundries and family-operated dry cleaners,
17 dry cleaning supply wholesaler distributors who are
18 with us today to speak on their behalf, importers and
19 manufacturers of Chinese hangers, and American
20 consumers of dry cleaning services.

21 I am here basically to respond to what we
22 believe is a cynical attempt by a Mexican importer to
23 misuse the American fair trade process for the benefit
24 of its foreign factory. I intend to provide the
25 Commission with information that will put M&B's

1 complaint into context, and to help the Commission
2 determine that continuing this process is unwarranted
3 and counter to the interests of the United States.

4 Let me start off by saying that we really
5 have two hanger businesses in our industry. One is
6 commodity products, which make up the vast majority of
7 the business. They are identical products that go in
8 large volumes. Price is key. They are made for
9 inventory, long continuous runs, and are subject to
10 import from a number of low-cost countries.

11 The other are special use hangers that are
12 low volume or custom for particular customers.
13 Service and local availability is important, and those
14 particular products do well in the United States
15 because they can be priced higher. Proximity to the
16 customer is important, and regardless of what the
17 Chinese prices are, they will continue to compete. I
18 would not be surprised to find that M&B produces a lot
19 of those particular kinds of products in Leeds,
20 Alabama, just as we did in Monticello and now source
21 from a Wisconsin supplier.

22 The business in question we are talking
23 about today is the commodity hanger business, not the
24 specialty hanger business, so evidence of production
25 in the United States of specialty hangers doesn't

1 address the issues of commodity products. There are
2 four key elements to our objections to the process we
3 are going through today. First of all, the US no
4 longer has a domestic commodity hanger manufacturing
5 industry. That's all gone offshore.

6 Even M&B sources commodity products
7 offshore. There are fewer than 80 production jobs in
8 the US today, and I think they are mostly for
9 specialty use products. I'm sure you guys will be
10 able to find that out. Secondly, M&B is not a US
11 manufacturer. They are an importer with a small
12 special use product factory in the United States at
13 Leeds, Alabama.

14 For the past four years, M&B has imported
15 more than 50% of its sales. Today, we estimate it's
16 been 85%, based on our estimate of their total sales
17 and our knowledge of what their imports have been
18 through Laredo. Third, increased tariffs on Chinese
19 hanger imports is essentially a multibillion tax
20 levied against small businesses throughout the
21 country.

22 Any tariff high enough to make American
23 production competitive in commodity business is
24 essentially a \$40 million tax on dry cleaners. And
25 finally, increased tariffs will not benefit the

1 domestic industry, but instead, solely benefit M&B's
2 Mexican operation and other low-cost labor countries
3 that will quickly get into the business. This
4 conflicts directly with the Bratsk decision.

5 A point of data. Most of the data I'll be
6 showing you is based on Census import data, and a lot
7 of the questions you have been asking will be
8 addressed by this data. Let's look at the next page.
9 These are M&B imports from Mexico. For data here we
10 used the imports through Laredo from Mexico of the
11 subject product. You can see that when the reporting
12 started in early 2002, there were about 10 million a
13 month.

14 It quickly climbed to 30 million a month,
15 and then it has leveled out between 25 and 30 million
16 hangers per month. In the late 1990s Milton Magnus,
17 owner of M&B, learned that offshore production of
18 hangers was much cheaper than domestic production. In
19 1999, he established a factory in Pedros Negros,
20 Mexico, to produce steel wire garment hangers for sale
21 in the United States through his company, M&B Hangers.

22 Within a few years, Milton's plant shipped
23 at a rate of over 25 million hangers per month. It
24 was one of the largest hanger production sites in the
25 world. M&B's Mexico strategy was aggressive, not

1 defensive. When Milton started his project in 1998,
2 Chinese imports were not a major factor in the market.
3 They accounted for less than 2% of all sales. By
4 2003, imports accounted for 19% of US consumption, led
5 by M&B with 5% of that total from its single factory.

6 All other producers were coming from China.
7 So in short, M&B was the first, the largest, and the
8 most aggressive importer of commodity hangers to the
9 United States. In the process, Milton exported over
10 140 US jobs to Mexico to gain that advantage. The
11 next slide is price. The domestic price we estimate
12 at \$42 per thousand. This is our experience in our
13 factories.

14 We have evidence to believe that some of the
15 other factories are higher cost, no evidence to
16 believe that anybody is significantly lower cost. The
17 blue line is the actual CIF value of imports through
18 Laredo, which is equivalent of the cost of product
19 from the Mexican factory. Milton's move to Mexico was
20 a very smart decision. In 2002, at \$25 per thousand,
21 M&B import costs were 40% less than the cost of
22 domestic product, which averaged \$42.

23 Even afer Mexico cost rose to \$30 per
24 thousand, Milton enjoyed a \$12 or 28% cost advantage
25 over his US competitors. This is a huge edge in a

1 commodity business. Let's talk about how he used that
2 advantage. In 2004, Cintas held a contract. It's an
3 auction. Lowest bidder wins, generally. M&B used its
4 Mexican import cost advantage to underbid domestic
5 competitors, including us.

6 For example, the Cintas industrial laundry
7 division is the industry's largest single customer.
8 They buy about 300 million units a year. In 2004, M&B
9 won by bidding a price of \$38 per thousand, based on
10 Mexico imports of \$30 a thousand. You'll note that
11 his bid price was below the domestic production cost,
12 for us, for him, for everybody else in the country.
13 After winning the Cintas business, M&B's Mexican plant
14 increased production by 10 million hangers a month.

15 That's representing 46 new Mexican jobs. At
16 the same time, he had two American plants. M&B won
17 the business as a Mexican importer, not as a domestic
18 US producer. We believe all the jobs added from the
19 Cintas business went to Mexico. None of them went to
20 the United States. Let's look at imports by
21 competitor. This is the percent of imports by M&B,
22 Laidlaw and United.

23 M&B is necessarily an estimate since we
24 don't know their total volume. As M&B's profitable
25 import volume grew, it shifted jobs out of the US

1 factories to Mexico. Two years after opening the
2 Mexico plant, more than half of M&B's total shipments,
3 by our estimate, came from imports. By 2005, 70% came
4 from Mexico. Today, we estimate the imports represent
5 over 80% of M&B's total business. That's excluding
6 the specialty -- 100% of the commodity business.

7 Until May 2006, our company Laidlaw was an
8 ESOP. We were employee-owned. The last thing our
9 owners wanted to do is to have their jobs shipped
10 overseas. However, in the face of M&B's massive
11 import-based cost advantage, Laidlaw had to follow
12 M&B's lead to survive. So grudgingly, Laidlaw slowly
13 shifted to China after losing business to M&B's
14 pricing throughout the decade. And United and other
15 domestic producers were forced to follow suit.

16 In the brief, M&B states that, as a direct
17 result of Chinese imports, M&B was forced to close its
18 hanger factory in South Hill, Virginia, in May 2005.
19 That's not true. M&B failed to mention that during
20 the same period, its Mexican plant added 43 jobs at
21 much lower pay rates. In other words, they were
22 replacements for the South Hill plant. We suspect
23 that M&B later shipped South Hill's production
24 equipment to Mexico, and that was confirmed earlier
25 this morning.

1 So this is not the shutdown due to China.
2 This is a shift to Mexico. In June 2005, M&B was by
3 far the largest and lowest cost hanger importer in the
4 United States. At the time, they had 21% of all
5 imports, and their cost per thousand was \$30.84. By
6 comparison, the Chinese cost was \$34.96, 10 or 20%
7 higher than the Mexican cost. Clearly, again, M&B's
8 action was not a reaction to China. It was a tactic
9 to gain market share by shifting US production to a
10 cheaper foreign location.

11 After moving to Mexico, M&B, we believe,
12 hollowed out the Leeds, Alabama plant. I visited
13 M&B's plant in August 2006 during the workweek at
14 about 2 in the afternoon. He may be running two and a
15 half shifts today, but that particular day it was very
16 quiet. We did not hear the noise common to any kind
17 of hanger production, which is pretty rackety. At the
18 edge of the parking lot were about a dozen semi
19 trailers parked and unattended.

20 One or two had their doors open, showing
21 that they were empty. Several trailers were backed up
22 to the building's loading deck, but there was no sound
23 or sign of any workers. In front of the factory
24 facing the main thoroughfare was a 'for lease' sign.
25 We believe that Leeds is dedicated to special use

1 products, just as Laidlaw has done with its own
2 domestic production, with limited production of
3 commodity hangers. The real commodity production
4 occurs in Mexico.

5 Let's talk about product cost. Okay,
6 remember, domestic cost is about \$42 FOB the factory.
7 Over time, the economic basis of commodity hanger
8 competition changed. At first, it was imports versus
9 domestic production, with domestic costs determining
10 market price. M&B and other importers enjoyed lush
11 margins when they used \$30 cost to pummel us and other
12 producers with \$42 costs.

13 As a result, imports rapidly gained market
14 share from the domestic production. By 2005, imports
15 overtook domestic production in the United States.
16 They accounted for more than half of the consumption
17 of the United States. At that point, competition
18 became importer versus importer, and domestic
19 economics no longer determined market prices. Once
20 the domestic price umbrella disappeared, import prices
21 declined dramatically over a six-month period as China
22 started competing with China.

23 Stuck at \$31 a thousand, M&B's Mexico plant
24 became high cost and uncompetitive. Let's talk about
25 2006. This is the customer that M&B lost to Chinese

1 competition. In 2006, Laidlaw won the Cintas account
2 from M&B by using China import costs against their
3 Mexican import costs. Domestic price at still \$42 a
4 thousand, we were able to bid \$34 a thousand because
5 our costs now had become \$28. We were importing from
6 China.

7 However, M&B's cost still remained at \$31,
8 all import from Mexico. Recognizing its predicament,
9 M&B did not even bid the Cintas business. So when
10 they say they lost it, that implies they tried to go
11 after it. They did not even bid. Today M&B's Mexican
12 factory is suffering similar defeats from China
13 importers and other customers. Milton's response to
14 this has been, claim to be the last US manufacturer of
15 hangers, file an antidumping suit against China, and
16 hope the US government will give its Mexican factory
17 tariff protection.

18 Let's talk about the US wire hanger industry
19 today, 2007. This is based on five months year-to-
20 date plus some internal data. We estimate that the
21 U.S. industry in 2007 will be about three billion
22 units at \$29.24 a thousand. China accounts for 86
23 percent of this total, M&B's single Mexican plant
24 accounts for 11 percent, a significant fraction.

25 There are three small domestic operations

1 that we estimate at less than three percent including
2 Leeds. As the world's low cost producer of hangers,
3 China now sets the market price for commodity hangers,
4 and the big winners of this process have been end
5 users, 30,000 plus laundries and dry cleaners.
6 Together they provide over 200,000 American jobs.

7 The drop in cost from \$42 to \$29 over the
8 past five years has given them more than \$40 million
9 of added cash, roughly \$1,000 per dry cleaner. Let's
10 talk about what happens if you do an added tariff.
11 This is a picture of a Chinese hanger factory, but it
12 looked just like our Monticello plant. It's the same
13 machines in the same kind of buildings around the
14 world.

15 Hangers are very simple, basic products.
16 Production technology has not changed in 50 years.
17 The wire forming machine weighs 1,200 pounds, costs
18 less than \$1,500 and can produce eight million hangers
19 annually. It's the industrial equivalent of a sewing
20 machine. All it requires is labor and electricity.
21 Factories with capacities in excess of 300 million
22 hangers have been set up in six months or less in
23 China.

24 If economic conditions change it's very easy
25 to move a factory to a lower cost locale anywhere in

1 the world, Mexico, Vietnam, India, anywhere except the
2 United States. Let's talk about the impact of tariff
3 increase. Who are the winners and losers? As the
4 President observed in 2004 industry participants have
5 adjusted to changing conditions by importing more
6 products.

7 Laidlaw chose to import from China, United
8 chose to import from China. M&B led the pack and
9 chose to import from Mexico. It picked the wrong
10 horse in this particular race. China is lower cost
11 than Mexico. M&B is now posing as a U.S. manufacturer
12 in a ploy to gain tariff production for its Mexican
13 factory. An antidumping tariff amounts to a \$40
14 million tax on small dry cleaners throughout the
15 country.

16 M&B's past actions clearly demonstrate that
17 only Mexico and other low labor cost countries will
18 enjoy the benefits of this tariff. There will be no
19 new U.S. jobs. So let me summarize. In summary,
20 Milton Magnus is attempting to hijack the American
21 fair trade process to salvage its Mexican-based import
22 business.

23 There is no longer a U.S. commodity hanger
24 manufacturing industry. M&B is a Mexican importer,
25 not a U.S. manufacturer. Increased tariffs are a \$40

1 million tax on U.S. business. No new jobs will be
2 created by this tariff. M&B's Mexican plant and other
3 low cost locations will be the only beneficiaries
4 conflicting with Bratsk.

5 Therefore, the Commission we believe should
6 make a determination that no harm has been done and
7 discontinue this process. Thank you.

8 MR. PERRY: And now I'd like to introduce
9 Joel Goldman of United wire.

10 MR. GOLDMAN: Good afternoon, Mr. Carpenter,
11 and member of the Commission staff. My name is Joel
12 Goldman. I'm the Executive Vice President of United
13 Wire Hanger in Hasbrouck Heights, New Jersey. United
14 Wire Hanger is a family-owned business that is now
15 owned by my brother, Larry Goldman, and me. We'd like
16 to go on record as being firmly against the
17 antidumping duty petition filed against wire hangers
18 imported from China.

19 United manufactured wire hangers in New
20 Jersey for 45 years from March 1962 until June 2006.
21 At one time United had over 240 employees with
22 production in excess of 2.6 million hangers per day.
23 United Wire Hanger and its plastic hanger affiliate,
24 Uniplast Industries, now currently have about 35
25 employees in Hasbrouck Heights.

1 United remains in business today, and it's
2 able to compete with imported hangers from Mexico and
3 China only because it is now sourcing from China. I'm
4 no stranger to this Commission. In December 2002 with
5 Petitioners' counsel, Fred Waite, I appeared before
6 this Commission in support of a Section 421 trade
7 action against imports of certain steel wire garment
8 hangers from China.

9 As is well-known by this Commission, the
10 President determined that there should be no import
11 relief or any additional tariffs imposed on wire
12 hangers imported from China because relief, "was not
13 in the national economic interest of the United
14 States", "that it would have adverse impact on the
15 U.S. economy clearly greater than benefits of such
16 action".

17 The President specifically stated that
18 imposing relief against imports from China, "would
19 affect domestic producers unevenly favoring one
20 business strategy over another". He said that
21 additional tariffs would favor some producers and
22 would, "disrupt the long-term adjustment strategy of
23 one major producer, which is based in part on the
24 distribution of imported hangers, and cause that
25 producer to incur substantial costs".

1 More importantly the President stated
2 furthermore, there is a strong possibility that if
3 additional tariffs on Chinese wire hangers were
4 imposed production would simply shift to third-
5 countries which could not be subject to the Section
6 421 China specific restriction. In that event import
7 relief would have little or no benefit for any
8 domestic producer.

9 The President also pointed to the fact,
10 "that most producers including the Petitioners have
11 begun to pursue adjustment strategies and that
12 domestic producers are also expanding their use of
13 imports and that indeed a substantial part of the
14 surge in imports during the most recent period
15 measured was brought in by domestic producers
16 themselves including the Petitioner, M&B".

17 As a result of the President's decision
18 United Wire Hanger was forced to source from China to
19 compete with imports from Mexico. United Wire Hanger
20 imported less than three percent of our total sales in
21 2001 and much less than that in the three prior years.
22 In 2002 the total imports for United only amounted to
23 about eight percent of total sales.

24 As part of United's new strategy now
25 domestic production was reduced by approximately 50

1 percent in August 2005 and then completely terminated
2 in July of 2006. Starting in July of 2006 United
3 sourced 100 percent of their wire hanger requirements
4 from China. In addition to United Wire, M&B was one
5 of the Petitioners in the Section 421 case, but M&B
6 adjusted to changing market conditions by importing
7 from Mexico.

8 Petitioner M&B Hanger started production and
9 began importing from Mexico in 1999 and has increased
10 their production in Mexico substantially since. It is
11 estimated that the M&B production in Mexico now
12 accounts for a substantial part of the total M&B
13 sales. Starting in 2003 United also decided they must
14 expand their use of imports and adjust their marketing
15 strategy in order to compete with the M&B imports from
16 Mexico and other imports from China.

17 Economics have changed in U.S. companies
18 simply to not have the low costs that will enable them
19 to compete effectively with low cost imports from a
20 number of these different developing countries. Sales
21 by the U.S. hanger industry that constitute U.S.
22 production reportedly represent a very small part of
23 the U.S. market.

24 If an antidumping order is imposed United
25 Wire Hanger will not develop more U.S. production, we

1 will simply import from another country. Keep in mind
2 that it is very easy to create a wire hanger factory
3 or expand production in a third-country. As mentioned
4 before, wire hanger machines are very small and very
5 portable.

6 If Chinese exports are blocked by an
7 antidumping order Chinese companies themselves will
8 simply move their machines to Vietnam, Indonesia,
9 India, Taiwan or elsewhere, and M&B will simply then
10 expand its production and capacity in Mexico.

11 The Petitioner M&B Hanger Company has
12 already adjusted to import competition from China by
13 importing from their Mexico factory, and any increase
14 in the tariffs from China would only benefit the M&B
15 factory in Mexico and certainly not the minuscule wire
16 hanger industry in the United States or the
17 approximate 27,000 small dry cleaners in this country.
18 Thank you for listening.

19 MR. PERRY: I'd like to ask Brent McWilliams
20 to speak now.

21 MR. MCWILLIAMS: Hello. My name is Brent
22 McWilliams, and I am the Vice President of Laidlaw. I
23 have been with the company for nearly 25 years. I
24 talk to our customers on a daily basis and understand
25 what is going on in the market and in the industry.

1 Our customer base consists of distributors of laundry
2 and dry cleaning supplies nationwide, dry cleaners and
3 uniform rental companies that have used our products
4 for nearly a century in all 50 states.

5 I just wanted to make a couple of quick
6 points here. First, if Laidlaw had not started
7 importing from China we would have gone out of
8 business because of competition from M&B's Mexican
9 plant. I was at a Laidlaw management meeting in the
10 summer of 2000 when our Chairman, John Mueller, found
11 out that M&B had recently opened a factory in Mexico.

12 He exploded and said we need to immediately
13 get to China. That is what we did, and that is why
14 Laidlaw is alive today. I can also remember M&B's
15 two-tier pricing strategy which they used very
16 effectively in calling upon our customers. One price
17 offered for U.S. produced hangers and a much lower
18 price for the exact same Mexican producers hangers.

19 Second, as Joel just mentioned it is very
20 easy to move production from one country to another.
21 Wire hanger machines are small and portable, and
22 production can be established in a new country or
23 expanded in Mexico in a matter of weeks, if not
24 sooner. Through the years at Laidlaw we have moved
25 our equipment from factory to factory whenever

1 necessary. Thank you.

2 MR. PERRY: Now, I've asked Ed McLoud to
3 speak.

4 MR. MCLOUD: Good afternoon. My name is Ed
5 McLoud. I'm the National Accounts Manager for
6 Fabricare Choice Distributor Group. Fabricare Choice
7 is a nationwide business cooperative consisting of 20
8 independent distributors in the laundry and dry
9 cleaning supply business. Our members collectively
10 operate 44 warehouse locations across the United
11 States servicing every major market, which includes
12 over 20,000 dry cleaners and several hundred uniform
13 rental businesses.

14 The Group's board of directors in
15 conjunction with members that participated in an
16 announced teleconference on Wednesday, August 8, 2007,
17 unanimously opposed this petition presented today
18 seeking antidumping duties on wire hangers from China.
19 Agreement was found that: 1) placing antidumping
20 duties on Chinese wire hangers would harm member
21 distributors unfairly; and that 2) the likely impact
22 and harm the industry would experience should
23 antidumping duties be placed on Chinese wire hangers
24 would be significant and extreme benefitting just one
25 U.S. company at the risk of financially harming

1 thousands of other businesses and affecting cost
2 increases to millions of consumers.

3 For many decades supply distributors had
4 limited sources for wire hangers, all domestically
5 produced. In 1999, M&B Hanger made a conscious
6 decision to move a large portion of their hanger
7 production to Mexico. Around the same time other
8 domestic wire hanger producers were traveling to China
9 purchasing Chinese made wire hangers.

10 This scenario left both the distributor and
11 end users with little option. Wire hanger products
12 were now going to come from either Mexico or China.
13 Many distributors found that the Chinese hanger
14 business model worked much better for us. Whereas
15 distributors were once blocked from servicing the
16 uniform rental industries we can now compete.

17 Imposing duties would result in protecting
18 the Petitioner while handicapping numerous
19 distributors across the country. Duty consideration
20 on product cost alone does not take into consideration
21 the costs transferred to the distributor such as sales
22 representative expenses, delivery expense,
23 warehousing, inventory costs, billing, collections and
24 other related expenses absorbed by the distributor.

25 Antidumping duties would dramatically impact

1 distributors with significant loss of sales and profit
2 margins while attempting to protect just one company.
3 Wire hanger costs to the uniform rental industry
4 represents their second largest supply cost just under
5 their washroom chemicals. Any increase in this
6 category would be noticed and likely would trigger
7 increases to their customers who are blue-collar and
8 casual apparel workers.

9 With small profit margins and minimal wire
10 hanger inventory even a short-term market disruption
11 would be devastating to these operations. The typical
12 dry cleaner is a small neighborhood business owned by
13 a hard working entrepreneur. His wire hanger costs
14 are his single largest supply item representing 25
15 percent or greater of his total supplies.

16 The vast majority of these owners are
17 totally unaware that this hearing is even taking place
18 or how the potential economic repercussions would
19 affect them, and even if they were aware most owners
20 could not afford to close their shop to attend.
21 Rather, the typical dry cleaner owner trusts his
22 government to make decisions on his behalf that are in
23 his best interests.

24 When cleaners feel this trust has been
25 breached these 27,000 quiet businessmen have a

1 reputation for being heard. Any dry cleaner that has
2 purchased an M&B product in the last few years has
3 likely received that product in a made in Mexico or
4 made in China box. They will not understand any
5 better than the rest of us why wire hanger prices were
6 raised to accommodate just one company's Mexican
7 production to the detriment of so many.

8 We believe this petition is without merit,
9 and an antidumping duty is an unfounded remedy that
10 would serve to enhance one importer while harming a
11 multitude of businesses in the same industry. Thank
12 you.

13 MR. PERRY: Mr. Zhong.

14 MR. ZHONG: Thank you. Mr. Carpenter, and
15 member of ITC, my name is Weixiong Zhong. I'm the
16 President of Market Direct International, LLC. I
17 thank you for the opportunity to testify today in
18 regard of the issue of import Chinese wire hanger.
19 The issue of Chinese wire hanger is very important to
20 thousand and thousand of dry cleaning business owner
21 in the United States.

22 For the past several years with my own
23 experience as a dry cleaning supplier company and
24 importer I know thousand and thousands of dry cleaning
25 business in the United States enjoy the low price wire

1 hanger due to the low price hanger import from China.
2 Just like President Bush said in the year 2003 it is
3 not in the national economic interest of the United
4 States, and it's not in the public interest if we
5 impose any import restriction on the Chinese wire
6 hanger.

7 I notice the party from M&B testified before
8 me, they mainly focus on their own interest not the
9 public's interest and not the national interest at
10 all. Before I come over here I talk to some of my dry
11 cleaning customer. I said someone, somehow, sometime
12 they just don't want the dry cleaning owner enjoy the
13 low price we enjoy right now, they want to discontinue
14 the low price hanger from China, and most of the dry
15 cleaner owner, they don't know nothing about today's
16 hearing and they know nothing about antidumping case
17 going on today.

18 I am small business owner as well. I just
19 take time, come over here Washington and do my best
20 and let the Commission member have an understanding
21 about the public interest for thousand and thousand of
22 dry cleaner owner. I really suggest that we should
23 not impose any tariff or take any action against the
24 Chinese wire hanger import. I believe that's for the
25 best interest for the public.

1 I assume all the people in this room
2 somehow, sometime do take all clothes to a dry
3 cleaning business, and I believe all of us do benefit
4 from the low price Chinese wire hanger as well.
5 That's what I want to say today. Thank you.

6 MR. PERRY: Ready for questions.

7 MR. CARPENTER: Thank you, panel, for your
8 testimony. We'll begin the questions with Mr.
9 Ruggles.

10 MR. RUGGLES: All right. Bill, I'm not sure
11 who, somebody was talking about a Wisconsin supplier.
12 It was Mr. Schultz?

13 MR. SCHULTZ: Yes.

14 MR. RUGGLES: Could you expand on that a
15 little bit, please? What they are, what they do?

16 MR. SCHULTZ: The Monticello, Wisconsin,
17 plant was owned and operated by Laidlaw for 30 years.
18 We shut it down about six months ago. It was sold to
19 another operator who is now doing limited production
20 of specialty hangers. They're doing custom capes, and
21 we're their customer. They also do printed garment
22 bags and a few other ancillary products that are used
23 in our industry and also the hospitality industry.

24 MR. RUGGLES: Okay. Could you supply the
25 name, you know, some contact information and stuff

1 about them in postbriefs?

2 MR. SCHULTZ: Sure. It's Ashanti
3 Industries, and I'll give you the data.

4 MR. RUGGLES: All right. And by any chance
5 if you have any influence with them could you get them
6 to call me?

7 MR. SCHULTZ: Sure.

8 MR. RUGGLES: I'd like to talk to them a
9 little bit, okay?

10 MR. SCHULTZ: Okay.

11 MR. RUGGLES: All right. You keep pounding
12 on the fact that this is to take care of the Mexican
13 operations. Without getting into the proprietary
14 stuff, I don't see it. I need something more out of
15 this. So maybe in the postconference, you'll have all
16 the information because toady you'll have a release of
17 all the questionnaires that we've got at this point,
18 maybe you can expand on that and maybe flush out
19 better because I don't see where you're going with
20 this at this point.

21 MR. NEELEY: Mr. Ruggles, Jeff Neeley. I
22 would say that our point is slightly perhaps different
23 than the point that was made by the importers' group
24 with regard to Mexico. While it may or may not be
25 true that as I said earlier that M&B will move to

1 Mexico and this is all about Mexico from their point
2 of view, I really think that's a sideshow.

3 I mean, I think the real issue in this case
4 has to do with causation and has to do with the Bratsk
5 analysis, and that's really where we're coming from in
6 this. You know, there's an overlap between the
7 arguments, but our argument I think is just a little
8 bit different on that. I know what you're saying
9 about the data. We appreciate that. As I said our
10 argument is a little bit different on that I think.

11 MR. CARPENTER: Mr. Haldenstein?

12 MR. HALDENSTEIN: I had a question for Mr.
13 Neeley. I think you referred to a, whatever, world
14 market for hangers, and I heard this morning from Mr.
15 Magrath. From what I heard from the Petitioners it
16 sounded like it was potentially China, and the U.S.,
17 and maybe Mexico and that was pretty much it, but you
18 were suggesting there was a world market and that --

19 MR. NEELEY: Yes, and we'll explore this
20 specific a bit more in the postconference brief, but
21 when I say world market, yes, I don't think there are
22 that many present producers in the world industry.

23 I don't think we're disagreeing with that
24 necessarily, but what we're saying is because of the
25 low barriers to entry and because the machines are at

1 such a low cost because the machines can be moved so
2 easily, I mean, M&B itself talked about moving the
3 machines down from Virginia to Mexico, for example,
4 there's a world price that's created by that.

5 It has to do with the fact that there are
6 lots of potential entrants into this industry at a
7 very low cost and in a very short period of time.
8 That's what's creating the price levels not where they
9 are right at the moment. Where they are right at the
10 moment is only one factor. I think you also need to
11 look at how easy it is to shift to other places.
12 That's what we're trying to say.

13 MR. HALDENSTEIN: But hasn't China been a
14 significant factor in the market, though, with their
15 pricing?

16 MR. NEELEY: Well, they've been a
17 significant factor. What I'm saying is that it
18 doesn't really have to do with China. I mean, it has
19 to do with the fact that this machinery is readily
20 available, can be easily bought, easily put somewhere
21 else.

22 Yes, the Chinese have been obviously very
23 successful in the market, you can look at the data,
24 but the reason for the prices doesn't have anything to
25 do with China, it has to do with the ready

1 availability of the machinery and a very low tech
2 technology.

3 MR. HALDENSTEIN: There haven't been any
4 other entrants into the market in these other
5 countries, though, to compete with the Chinese.

6 MR. NEELEY: There haven't been any other
7 entrants. I mean, China is a big country. At the
8 moment there hasn't been the necessity to do that, but
9 the potential for other people to come into this
10 market is I think very obvious, and that's what drives
11 the price levels.

12 MR. HALDENSTEIN: Okay.

13 MR. PERRY: Mr. Greene --

14 MR. HALDENSTEIN: Mr. Zhong?

15 MR. ZHONG: Mr. Michael Haldenstein?

16 MR. HALDENSTEIN: Yes?

17 MR. ZHONG: Yes. I wanted to add something
18 about the factory transfer to the third-country. As
19 all we know wire hanger industry is a low tech
20 industry, is very easy to transfer to a third-country.
21 Because I have very close relationship with some of
22 the Chinese factory I know some of those factory are
23 already considering moving the factory to Vietnam or
24 India, yes, and the total set up time probably about
25 three to six month or six to nine month to set up a

1 factory and produce probably 10, or 15, or 20
2 container a month, that capacity, for the first year.

3 A year, the volume is going up, yes. I
4 mean, the market is a global market economic right now
5 because right now in China they have about 40 or 45
6 manufacturer in China. The market competition is very
7 tough, and some of those factor they are consider
8 moving the factory to the third-country with lower
9 labor cost.

10 There is not like something we don't know,
11 yes. Is a fact already. It's a work in process, yes.

12 MR. PERRY: Mr. Greene, Tom and I would like
13 to add one point. I'm involved in a case on tissue
14 paper right now. The company is located in Guilin.
15 In response to the dumping orders they moved their
16 machines seven hours south into Vietnam, and wages are
17 lower in Vietnam than China.

18 Tom?

19 MR. SCHULTZ: I think what we've got here is
20 an existence proof. We know there's at least two low
21 cost countries that can produce this product. If you
22 eliminate one of them even though it's the largest one
23 that doesn't mean that this cannot be produced at
24 other countries that have the same factory costs.

25 So we think the most likely first

1 beneficiary is Mexico because they're already doing
2 it, and they've got equivalent costs, but there's
3 other much lower cost countries available other than
4 Mexico that with a little bit of time can take over
5 the mantle of China. We'll be having the same talk
6 two years from now and complaining about Vietnam or
7 India. So China just happens to have the magic
8 combination of factory costs today. Doesn't mean that
9 they'll necessarily have that in the future.

10 MR. HALDENSTEIN: Thank you. No further
11 questions.

12 MR. CARPENTER: Mr. Greene?

13 MR. GREENE: Bill Greene, Office of
14 Economics. I just have a couple of questions. The
15 Petitioners indicated that U.S. demand for hangers had
16 been flat since 2004. Would you agree with that
17 characterization?

18 MR. SCHULTZ: I disagree.

19 MR. GREENE: Okay. How so?

20 MR. SCHULTZ: If you look at the ITC 2004
21 study they had a consumption of about 3.6 billion.
22 Today, our estimates is consumption about three
23 billion, so there's been a decline of about 100
24 million hangers per year over the last four or five
25 years. Further, we think that at the time of the

1 original ITC study the split was one-third uniform
2 plants, two-thirds dry cleaners.

3 We now believe in the industry that it's
4 50/50. So the dry cleaning business has declined
5 while the uniform business has either stayed flat or
6 increased slightly.

7 MR. GREENE: What would you characterize the
8 change to?

9 MR. SCHULTZ: People don't wear suits.

10 MR. GREENE: Okay.

11 MR. SCHULTZ: Has nothing to do with
12 hangers.

13 MR. GREENE: The Petitioners also said that
14 their raw material prices were pretty constant except
15 for an increase in the price of steel. Would you
16 agree with that characterization?

17 MR. SCHULTZ: No, I don't.

18 MR. GREENE: Okay. How so?

19 MR. SCHULTZ: One of the primary drivers
20 between the United States and China is not labor
21 costs, labor costs is a relatively small component,
22 particularly for the commodity hangers we're talking
23 about, it's steel cost. In the last three months
24 steel costs in China have gone up by 30 percent.
25 There was a spike. As a result, our costs from our

1 manufacturers have gone up by 12 percent, and we've
2 had to go give price increases to all of our
3 customers.

4 So the idea that there's a bottomless pit of
5 product in China is incorrect. They're driven by the
6 cost of steel and labor like everybody else, and
7 they're reacting to market forces just as people in
8 Mexico or the United States do. So, no. Prices are
9 right now going up because steel costs are going up.

10 MR. GREENE: Okay. Could you tell me how
11 prices are normally negotiated?

12 MR. SCHULTZ: I think Brent McWilliams would
13 be a better --

14 MR. GREENE: And, Mr. McWilliams, you also
15 talked about the two-tiered price system.

16 MR. MCWILLIAMS: Right.

17 MR. GREENE: Could you give me a little bit
18 more information on, you know, you characterized M&B's
19 prices as two-tiered for imports and domestic?

20 MR. MCWILLIAMS: Sure. Okay. As M&B
21 testified this morning the customer base is the same,
22 so you have the dry cleaning distributors on one side
23 and then you've got the uniform rental accounts on the
24 other side. For the last 20, 25 years the uniform
25 rental accounts have been sold direct by the

1 manufacturers and the dry cleaners were sold by the
2 distributors.

3 Normally, the uniform rental accounts are
4 quoted a price, and then you can find out what that
5 price is or you can quote your own price, and there
6 will be some people that will tell you if you're in
7 the ballpark or not. At that point you can elect to
8 go after the business or not to go after it. Uniform
9 rental prices do not change unless there is a price
10 increase, and then they'll ask everybody to requote.

11 Normally, once you get a uniform rental
12 account unless you've got poor quality or you've got a
13 personality problem with that manager you're going to
14 keep that business. As they testified this morning,
15 with the distributors it's pretty much week to week.
16 We've set up price lists for the distributors. Ours
17 are buying containers now rather than buying from our
18 plants, but pretty much they're checking us on a
19 weekly basis or a couple of times a month wanting to
20 know if the prices have changed and what's going on.

21 So it's still a relationship business, but
22 there's more attention now paid to price. As far as
23 the two-tiered pricing comment, for a number of years
24 after they got set up in Mexico our distributors would
25 tell us that the M&B representative was just in,

1 didn't happen to be him because he wasn't with them,
2 and they've offered us, you know, this is the price.
3 I said that's ridiculous, there's no way.

4 They said well, this is the price if we buy
5 Mexican product, this is the price if we buy from
6 Alabama. So it's very obvious they were using the
7 Mexican advantage at that time to try to get our
8 business.

9 MR. GREENE: Okay. Thank you. There was
10 another comment on the difference in the cost of
11 hangers based on sales forces and the fact that the
12 importers don't have to, you know, use a lot of the
13 manpower and what not that the domestic producers --

14 MR. MCWILLIAMS: Right. What I'm referring
15 to are the costs incurred by the individual supply
16 distributors. They have many more salespeople on the
17 street, they have the cost of warehousing, they are
18 the ones who are actually delivering the goods to the
19 end user, and so while we're talking about raw cost of
20 hangers we're not including any of those additional
21 costs that are incurred by the distributors per se.

22 MR. GREENE: Thank you.

23 MR. CARPENTER: Mr. Yost?

24 MR. YOST: Good afternoon.

25 Mr. Schultz, you've mentioned a couple of

1 times I think in Slides 4 and 5 or perhaps 5 and 6, 4
2 and 5, sorry, the domestic costs. Help me understand
3 what that's composed of.

4 MR. SCHULTZ: Okay. The domestic cost is
5 fully-loaded factory level FOB cost per thousand
6 including direct labor, factory overhead, material
7 costs. It excludes freight out, SG&A costs or
8 corporate allocations. So it should be exactly
9 comparable to the CIF value of imports.

10 MR. YOST: Okay. And is that for commodity
11 hangers, your term, or would that be for all hangers?

12 MR. SCHULTZ: Since 95 percent of all
13 shipments are commodity hangers I'd say that it really
14 doesn't matter. It's the weighted average of all
15 hangers produced by the factories, 95 percent of which
16 are commodity.

17 MR. YOST: Okay. And would that be for all
18 of Laidlaw's former U.S. plants?

19 MR. SCHULTZ: The Metropolis plant had an
20 average cost of about \$45 per thousand, so the \$42 per
21 thousand was actually the lower of the two plants.

22 MR. YOST: I see. Okay. All right. Thank
23 you very much.

24 MR. CARPENTER: Ms. Taylor?

25 MS. TAYLOR: Thank you.

1 Mr. Schultz, I'm looking at the first slide
2 in your presentation, the special use versus commodity
3 type hangers.

4 MR. SCHULTZ: Yes.

5 MS. TAYLOR: Make sure I understand that
6 you're saying that the hangers made in the United
7 States are only these special use hangers. Is that
8 correct?

9 MR. SCHULTZ: Let me make sure the
10 definition of special use hangers is clear. It can be
11 based on product characteristics, for example, custom.
12 Only one customer will buy it because it's got his
13 name on it. It can be a small volume specialty item
14 like a drapery hanger which is sold in very small
15 volumes and no large factory will carry.

16 It can be associated with a particular
17 customer who thinks buying America is worth something
18 more than the commodity market price or it could be
19 something associated with having local stock available
20 for overnight delivery. So, for example, M&B's
21 shipments of 300 boxes of hangers is usually a fill in
22 in emergency kind of business which could include what
23 we consider commodity products but is being serviced
24 in a specialty service way.

25 Most of our business is container direct to

1 customers. It's the lowest cost way to supply
2 hangers, and that's how they compete in the
3 marketplace.

4 So as a result I would say that if you
5 looked at M&B's production I wouldn't be surprised to
6 find what you would call generic commodity products,
7 but they are being served in a specialty way, either
8 product availability, small quantities, higher service
9 levels or some kind of relationship built over the
10 years with a customer who is willing to pay a premium
11 for a long time supplier.

12 MS. TAYLOR: All right. Help me out. I'm
13 still trying to understand, as far as the types of
14 hangers are concerned.

15 MR. SCHULTZ: Right.

16 MS. TAYLOR: Any of these types or all of
17 these types made in the U.S.?

18 MR. SCHULTZ: In special use I'd say that by
19 far the majority, I'd say 80 percent, are made in the
20 United States because of their characteristics with a
21 limited amount made in China for people that are
22 willing to wait or have compromised their service
23 needs. In terms of commodity I'd say that if you
24 looked at M&B or our old plant 30 or 40 percent might
25 be a commodity type product but is being produced at a

1 high service level as a fill in or some other element.

2 So the product itself might be considered
3 commodity where, i.e., 99 percent of all the volume of
4 that particular product comes from China, but there
5 still will be some made and sold in the United States
6 at United States factories because of the service
7 element.

8 MS. TAYLOR: All right. So we're not
9 talking about say a technology difference between the
10 U.S. and China?

11 MR. SCHULTZ: There's no technology
12 difference. They use the same machines.

13 MS. TAYLOR: All right. What about, you
14 spoke earlier, the Petitioners' side, talking about
15 differences in the production process saying that the
16 finishing, I guess if you can call it that, and
17 putting the capes on, and the struts on and making the
18 tubes is done manually in China and done by machine
19 here. Would you agree with that?

20 MR. SCHULTZ: Absolutely. In China labor
21 cost is 83 cents an hour, at our plants it's \$14 an
22 hour. You can make things in China by hand cheaper
23 than you can with machines over there because
24 electricity is expensive and unreliable and labor is
25 cheap, though it's been changing recently. There's

1 been a shift towards machines since they have had
2 trouble getting enough labor for some of this work.

3 MS. TAYLOR: All right, but the machinery
4 itself and the fabrication of the wire, making it into
5 the hanger, is the same in both countries if I
6 understand you correctly?

7 MR. SCHULTZ: Yes.

8 MS. TAYLOR: All right. Thank you. I have
9 no further questions.

10 MR. CARPENTER: Mr. Corkran?

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

13 Thank you to all our panelists today. It's
14 been a very good, very enlightening presentation.
15 Very helpful in many ways. I think my first question
16 probably goes to Mr. Neeley and Mr. Perry. I know
17 your arguments are complimentary, I know they overlap
18 and not identical, but I did want to look a little bit
19 at the question of markets other than Mexico and
20 China. I shouldn't say markets, suppliers, other than
21 Mexico and China.

22 I think in particular, Mr. Neeley, you may
23 have made the point most strongly about the need to
24 look at potential imports from other countries. You
25 had also been arguing in terms of historical as well

1 as forward looking elements of the Bratsk analysis.
2 What I was wondering is at least looking historically
3 has there been any other supplier of note besides
4 China or Mexico?

5 I mean, when I look back at the 421 import
6 data even when China was a much smaller supplier than
7 it was at present the volumes from other countries
8 were very, very small even when they wouldn't be
9 competing with Chinese imports to any great degree.
10 So I just wondered if you could maybe flesh that out
11 just a little bit more?

12 MR. NEELEY: Yes. I mean, I guess what
13 we're trying to say is that when you look at the world
14 market for this product, which is what we're
15 describing, you've got developed countries like the
16 United States which plainly aren't competitive anymore
17 with Mexico, with China, with Vietnam, with Malaysia,
18 with Indonesia, with probably 20 other countries that
19 you can think of, and so, I mean, that's the economic
20 fact of life.

21 Whether those folks are here yet or not
22 because the machines have been moved there seems to us
23 not to be the most important point. The machines can
24 be very easily moved there. The machines in fact as
25 Mr. Zhong said maybe will be moved there regardless of

1 what happens in this case, but certainly if what
2 happened in this case is that there are duties
3 imposed.

4 I mean, what we're saying is that's what
5 drives the price is that the world has effectively
6 passed by the United States for this particular low
7 priced, low cost, low technology industry. But I
8 don't disagree with you that historically there
9 haven't been a lot of other entrants, but, you know,
10 there's only so many hangers that you can consume in
11 the United States or elsewhere I guess.

12 MR. PERRY: I just would add I kind of view
13 it a little bit differently. As we know after Gerald
14 Metals basically the Commission tried to differentiate
15 Gerald Metals out on the basis of facts by saying this
16 is a very factual specific case. The Court of Appeals
17 for the Federal Circuit in Bratsk said no, it's not.
18 We want you to imply this analysis.

19 I'm quoting again from what the Court said,
20 and this is why I came, that it's not only just the
21 past, it's looking forward. It's the old benefit
22 analysis. This was the analysis made by Leiber,
23 Rumsfeld, Crawford, and you may not like it, but
24 that's kind of where the Court's going because, I
25 mean, this is the quotation, and I see this as

1 holding.

2 "Where commodity products are at issue and
3 fairly traded, price competitive, nonsubject imports
4 are in the market, the Commission must explain," it's
5 no wiggle room there, "why the elimination of the
6 subject imports would benefit," would benefit
7 indicates the future, "the domestic industry instead
8 of resulting in the nonsubject import's replacement of
9 the subject import's market share without any
10 beneficial impact on domestic producers."

11 They're trying to basically say is the
12 domestic industry going to be better off by this order
13 or not? Will it be helped? What we're saying here is
14 no, and that there are fundamental problems in the
15 marketplace, and the fundamental problem is that the
16 cost of the U.S. product is too high. Not only is the
17 Chinese lower, Mexico is lower, but this gentleman can
18 take his small machines and move them over to Vietnam
19 and they'll be lower there, too.

20 Now, maybe I'm not getting the whole aspect
21 of the case, and I want to read it again especially
22 after what Jeff has said, but I looked at that
23 quotation, and that's where I came up with this
24 analysis. That's where I'm coming from.

25 MR. CORKRAN: Yes. I don't think we were

1 really in that much disagreement on what he said. I
2 mean, I think the reason that the Court is saying that
3 is because when you look forward you say what would
4 happen. You're also by necessity talking about
5 causation. You know, it's a but for kind of thing.
6 Well, if there'd be no benefit going forward then
7 there probably wasn't anything going on going to the
8 past because something else was holding prices down
9 and not just the Chinese imports.

10 So, I mean, I think it's part and parcel of
11 the same thing. I don't think we should cut it too
12 finely. All I'm saying is that I do agree with Mr.
13 Waite that it's a causation analysis, and that's
14 fundamentally what we're talking about. But how you
15 get there, I mean, looking forward tells you something
16 about what's going on now, too, so I don't think it's
17 that different.

18 I also agree with what Mr. Perry said, and I
19 think this is very important, is that the Commission
20 was really criticized in Bratsk for taking such a
21 narrow view of Gerald Metals, and I suggest that the
22 Commission shouldn't take an equally narrow view of
23 Bratsk in this case. Although Mr. Waite now would
24 like to narrow it a little bit, he argued a little bit
25 differently in Bratsk versus Gerald.

1 But I think you have to look at what's going
2 on with the economics, which I think is really what
3 Bratsk and Gerald Metals are about is what are the
4 economic fundamentals of the industry? I do have a
5 question related to that. It's probably one that is
6 best addressed in the postconference brief, but I
7 would like to throw it out right now, though, which is
8 building on that very last statement but throughout
9 the testimony the discussion of other countries who
10 are currently or could be low cost suppliers.

11 The question that keeps coming up in my mind
12 is there is at least one difference that I can see
13 right now which would be that China is alleged to be
14 selling in the U.S. market at less than fair value. I
15 mean, while there's a cost element to that the
16 allegation is that there are sales in the U.S. market
17 at less than fair value, not simply that they're a low
18 cost supplier.

19 But, again, I think that's probably more of
20 a briefing type question unless you want to answer it
21 right now.

22 MR. NEELEY: No. We'll address that in the
23 brief. I think it's the cost element that's driving
24 it, though, but, yes.

25 MR. ZHONG: May I add something about point

1 you just mentioned earlier? Because I have very close
2 relationship with one of the factory in China I know
3 most of those factories they are private company, they
4 are not state company like 20, 30 years before, and
5 they are all profit driven. For example, I'll give
6 you one good example.

7 One of the factory like four years ago they
8 only produced two, or three, or four container a
9 month, but after four year they make money otherwise
10 they will expand their facility, they build a new
11 factory and right now they can produce about 35 to 55
12 container a month. Of course they make money. If you
13 don't make money they cannot build new factory.

14 They even buy the new machine and hire more
15 people. They are all private owned and all profit
16 driven. They are not stupid, they losing money to cut
17 the -- of course they compete to each other. They
18 lower the price of course, but consider that they
19 still make money. They're not selling below cost.
20 They're not state owned company like before. No, they
21 are not. They're all market driven, profit driven
22 company.

23 MR. CORKRAN: That's a very good segue into
24 a question I had about a term that was used, and I
25 apologize because I didn't jot down who used this

1 term, but it was the Chinese hanger business model.
2 In fact, I think it was used in contrast to I believe
3 the Mexican hanger business model. Can you provide a
4 little more detail on what's meant by that term?

5 MR. MCLOUD: Actually, I used that in
6 reference to distribution once again in that as has
7 been stated prior to the move of the hanger business
8 overseas the distributors were precluded from the
9 uniform hanger industry which they've pointed out was
10 at one time one-third of the total volume. It's now
11 one-half.

12 By expanding the options that distributors
13 have they can now participate directly if they so
14 choose in importing and selling directly to the end
15 user whereas before the distributors were really
16 reliant upon the manufacturers to distribute their
17 products to individual dry cleaners, and they were
18 shut out of that what is now half the entire market.

19 MR. CORKRAN: I'm sorry. Let me make sure I
20 understand that properly. In the past U.S. producers
21 sold directly to the industrial laundry business, but
22 has is increasingly become open to distributors? Am I
23 paraphrasing that correctly?

24 MR. MCLOUD: Yes. Yes. That's exactly
25 correct.

1 MR. CORKRAN: Mr. Zhong, could I ask you
2 just a couple of questions about your operations as
3 well? Do you primarily import or do you purchase from
4 importers? Can you provide some detail about the
5 nature of your business?

6 MR. ZHONG: I bring import and also I'm
7 wholesaler and retailer as well. I supply to the dry
8 cleaning owner, and I also supply to certain parts of
9 the United States to the supplier.

10 MR. CORKRAN: And when you're deciding how
11 to source your hangers are you entertaining multiple
12 offers, or do you have one or two suppliers that you
13 typically go to, or do you request quotes from a large
14 number of individuals?

15 MR. ZHONG: The main concern is about the
16 product, but also you have to consider the service
17 level because the time zones difference tell our
18 different time zones. Some part, they provide good
19 service parts. For example, the English level, they
20 provide to here. When sometime in America like during
21 the day time they are at night time.

22 The manufacturer in China, they might not be
23 able to provide a good service level, like they're not
24 open, but some other manufacturer they 24/7 service
25 level, plus they have very good English translator.

1 MR. CORKRAN: Thank you. That's very
2 helpful. I believe my final question goes to the
3 witnesses from Laidlaw and from United, and that was
4 in terms of the employees who were producing wire
5 hangers in the United States in your domestic
6 operations were they absorbed within the business
7 elsewhere? What happened to your employees who were
8 producing wire hangers in the United States?

9 MR. SCHULTZ: The employees for the
10 factories that we had were laid off, and they're now
11 employed in other industries. We don't have the
12 overhead or the structure to support the kind of
13 people that we had before, so they're back in the
14 economy doing something else.

15 MR. GOLDMAN: Joel Goldman, United Wire
16 Hanger. Basically, the same. The employees that were
17 terminated have been absorbed by the economy and other
18 industries.

19 MR. CORKRAN: Thank you very much. I have
20 no further questions, but I do appreciate very much
21 your testimony today.

22 MR. CARPENTER: I believe that concludes the
23 staff's questions. Again, thank you very much, panel,
24 for your testimony and your responses to our
25 questions. At this point we'll take a short break

1 until 1:05, and we'll have the closing statements
2 beginning with the Petitioners.

3 (Whereupon, a short recess was taken.)

4 MR. CARPENTER: Welcome back, Mr. Waite. If
5 everyone could take a seat, please, we'll proceed
6 whenever you're ready.

7 MR. WAITE: Thank you, Mr. Carpenter.

8 There is an adage among trial lawyers, I'm
9 told, that if you're in a case, and the facts are
10 against you, argue the law. If you're in a case, and
11 the law is against you, argue the facts.

12 I think we've just heard this morning the
13 Chinese hanger corollary to that adage, which is, when
14 the law is against you, when the law doesn't support
15 the arguments that you're making, when the facts are
16 overwhelmingly against you, argue the motives of the
17 other side and argue the motives of the other side
18 based on information that is not attributed, that has
19 no verified source, and simply wave as many red flags
20 as you may and hope that some of those red flags may
21 remain in the memory of the decision-makers in this
22 case.

23 Well, you and I are too experienced in these
24 cases to be misled by that kind of a tactic. First,
25 let me say that there has been a lot of discussion of

1 the 421 case in this proceeding, and, I think,
2 rightfully so. Certainly, the discussion of the 421
3 case that talks about how the industry operates, how
4 hangers are made, like product analysis, and the like,
5 because those haven't changed, but the discussion of
6 the 421 case that focuses on the ostensible reasons
7 for the president's decision to take no action, as you
8 know, I know, and presumably counsel for the
9 Respondents know, is completely irrelevant.

10 This is a Title VII case. Whether or not
11 the domestic industry will be benefited going forward,
12 whether or not there are, in undeveloped corners of
13 the world, numerous entrepreneurs waiting for Chinese
14 hanger machines to arrive on their doorstep is simply
15 something that is not taken under consideration.

16 But, nevertheless, I would like to address
17 some of the points that they made just to show you
18 that, in fact, the Commission considered those points
19 in its analysis and rejected them. Unfortunately, in
20 that case, the president ranked the Commission. In
21 this case, nobody ranks the Commission in making its
22 decision.

23 I think I heard every one of the
24 Respondents' witnesses, save maybe one or two, quote
25 from the Federal Register notice over the president's

1 signature of his determination, and that is there is a
2 strong possibility that if additional tariffs on Chinese
3 wire hangers were imposed, production would simply
4 shift to third countries. Again, that standard, that
5 analysis, that consideration, is irrelevant to a Title
6 VII case.

7 But recall what the Commission said when
8 those same arguments were made before it, a body that
9 has, with deference and respect, far more experience
10 than the president in analyzing economic issues like
11 this, the Commission said, there is no basis to
12 conclude that relief would be sufficient to induce
13 producers in China to move facilities to another
14 country.

15 Further, the point was made, and we're all
16 sensitive to this, if dumping duties are assessed on a
17 product, there are consequences. The reason why
18 dumping duties are assessed is because there is
19 behavior that's inconsistent with internationally
20 agreed norms that China and the United States have
21 subscribed to, and the point was made by a number of
22 the witnesses, including Mr. Zhong, and I welcomed his
23 participation today -- I think he was very candid and
24 forthcoming, and I'll have a few more things to say
25 about his testimony in a moment -- the point was made

1 that there would be a negative impact, and I'm quoting
2 now from the president's determination, "a negative
3 impact on thousands of small, family-owned dry
4 cleaning businesses across the United States."

5 One of the Respondents' witnesses, and I
6 believe it was Mr. Schultz, said that, over the past
7 four years, because of the availability of dumped
8 imports from China, his customers, that is, the dry
9 cleaning industry, had a cost advantage of about
10 \$1,000. They saved a thousand bucks over four years
11 because they could buy dumped imports from China.

12 Two hundred fifty bucks a year; that doesn't
13 strike me as being a crippling kind of impact, and, in
14 any event, again, that's not an issue for the
15 Commission in this case. The Commission does not look
16 at downstream industries. The Commission does not
17 look at the impact of the remedy on the economy as a
18 whole. That, again, is irrelevant and, indeed, not
19 only irrelevant; under the law, the Commission is
20 precluded from looking at those factors.

21 Again, when the Commission did address that
22 issue in the 421 case, what did it say? It said that
23 increased duties that it had recommended should have
24 no more than a minimal impact on downstream users of
25 steel wire garment hangers, mainly dry cleaners, as

1 this product makes up only a small percentage of their
2 overall costs. I think you heard a little bit of
3 ambivalence this morning about the cost of hangers to
4 dry cleaners.

5 You, I am sure, and I know I, go to discount
6 dry cleaners as well as the neighborhood mom and pop
7 dry cleaners, and we know what it costs. You've seen
8 what hanger prices are. That is an infinitesimal --
9 it's not even a rounding figure, in your consideration
10 of whether you're going to have a garment dry cleaned,
11 either at a discount or your neighborhood dry cleaner.

12 Then the point was made, and this may have
13 some residual relevance, although I think not when you
14 look at the facts involving the POI in this case, that
15 domestic producers also import, and, again, in the
16 president's Federal Register notice, it was stated
17 that "a substantial part of the surge in imports
18 during the most recent period measured was brought in
19 by domestic producers themselves."

20 Again, the Commission considered that, and
21 it recognized that those imports were brought in for
22 defensive purposes, for survival purposes, and, in
23 fact, despite the statement in the president's
24 release, the domestic producers who brought that
25 petition and supported that relief accounted for less

1 than 10 percent of all imports in the 421 period of
2 investigation.

3 I read with interest Mr. Schultz's
4 presentation this morning. I recall seeing a movie on
5 a flight -- I think it was to Germany some years ago,
6 and I believe the name of the movie was "The Tail Wags
7 the Dog," and the argument about Mexico vis-à-vis
8 China brought back that title to my memory.

9 First of all, I would note, Mr. Carpenter,
10 there is no attribution of source or where this
11 information came from. It simply says "a
12 presentation," and Mr. Schultz, in his presentation,
13 said, "I think this is our experience," whatever.
14 There is nothing in here that would indicate to me, at
15 least, where this information came from, whether it's
16 valid, whether it's representative.

17 But be that as it may, I think that Ms.
18 Taylor, in looking at this, when she was asking about
19 the first page of the presentation, allegedly two-
20 hanger businesses, was getting at the correct point,
21 and that is this appears to be a like-product kind of
22 argument, but it really isn't because these products
23 are all the same. They are trying to make a like-
24 product argument by saying everything that the
25 domestic industry makes in the United States is

1 different. It's a different like product than what we
2 import from China. You've seen the record. You've
3 seen the products. It's simply not true.

4 The information about the share of Mexican
5 imports in Mr. Magnus's operation, I can't discuss
6 because it's proprietary, but you've seen the figures,
7 you've seen the questionnaire responses that we've
8 provided, and, as I said earlier this morning, the
9 majority, the significant majority, of Mr. Magnus's
10 U.S. sales of hangers during the POI were from hangers
11 produced in either South Hill, Virginia, before that
12 plant was closed, or Leeds, Alabama, which is still in
13 operation.

14 This notion that 90 percent of his sales are
15 coming from Mexico, again, is a figment of someone's
16 imagination, but there is certainly nothing in this
17 document to support it.

18 But I guess my favorite part of this report
19 are these photographs that were presented as somehow
20 being probative in this case. I'm not going to
21 address about why people aren't sitting around outside
22 in the middle of the day when, presumably, they should
23 be inside working. I'm from upstate New York, and I
24 have my own prejudices about how my countrymen in the
25 South live and operate, and one of them even said to

1 me once, "Well, you know, Fred, in this part of the
2 world, people still don't wear shoes."

3 Well, I believe, however, that people in
4 Alabama work just as hard and just as diligently and
5 just as seriously as people in upstate New York, and
6 the fact that there is nobody standing outside
7 whenever this photo was taken simply suggests to me
8 that there is not a lot of truancy going on at M&B
9 Hanger.

10 My favorite is this last photograph, which
11 purports to be sign in front of property for lease.
12 Look at that sign. The sign says it's put up by a
13 realty company. Mr. Magnus tells me this is not on
14 his property, and, in fact, it's pointing to
15 warehouses down the road that are owned by Filetta's
16 Realty. They are up for lease, and, indeed, if this
17 case develops the way it should, under the law, Mr.
18 Magnus may well be leasing some of that property
19 himself to move some of the machinery he has sitting
20 in his warehouse to make more hangers. But, again,
21 that sort of underscores the lack of credibility of
22 this paper.

23 Another point, and this goes to another
24 theme that we heard repeatedly from the Respondents,
25 and that is, all of these other producers around the

1 world, they are not there. You've seen the import
2 stats. If there were other producers, they would be
3 in this market, and they are simply not.

4 When you look at the import data and,
5 particularly, at the average unit values, you can see
6 that some of those other producers who are already
7 shipping into the United States are not shipping in
8 steel wire garment hangers, the subject of this
9 investigation. They are shipping in a much higher-
10 grade product that's probably a permanent garment
11 hanger.

12 In terms of the impact on the economy as a
13 whole, I just project that it's about 13 cents per
14 person per year. I would also note that Mr. Magnus
15 tells me, in the last six months, he has actually
16 hired some additional people in Leeds, as he
17 anticipates he hopes to be able to ramp up production.

18 He told you there is a lot of machinery
19 sitting where it always has. All he has to do is plug
20 it in, bring in people. He has got other machinery
21 that he can move into his plant. It's 100,000 square
22 feet under cover. He has got a warehouse, another
23 25,000 square feet. He has got, I've forgotten, how
24 many acres of land. He has got the capability to do
25 it.

1 What I don't think he told you is that he
2 has no equipment mothballed down in Mexico, and,
3 again, if you look at the Mexican and U.S. operations
4 of M&B, look at the capacity of the two plants, you
5 tell me, Mr. Magnus's business, which is the more
6 important plant, which is the more important asset for
7 his company, and with Bratsk --

8 MR. CARPENTER: Mr. Waite, your time is up.
9 If you could wrap up, please.

10 MR. WAITE: I was going to wrap it up with
11 Bratsk by saying, we will certainly address that, but
12 I've heard a lot of misconstruction of the Bratsk
13 case. I thought it was limited to reporters in
14 American Metal Market, but I can see that some of my
15 brethren in the bar, unfortunately, have adopted that
16 as well.

17 Thank you, Mr. Carpenter. I'm sorry I ran
18 over my time. I know we're all anxious to leave.

19 MR. CARPENTER: Thank you, Mr. Waite.

20 Mr. Perry? Mr. Neeley?

21 MR. PERRY: Just a couple of quick points
22 here. Mr. Waite's statements are very interesting.
23 He said, Neither the law or the facts are with us.
24 The problem is there is somebody that does rank the
25 Commission, and it's the Court of Appeals for the

1 Federal Circuit, and the Court of Appeals for the
2 Federal Circuit decided to create -- they based it on
3 their methodology, and I know very well that the
4 Commission does not like Bratsk, but it's there.

5 Then the Commission must take this into
6 account, and I think part of the reason was the Court
7 is looking at the antidumping law as a remedial
8 statute. It's not a punitive statute.

9 So one of the questions the Court is asking
10 is, will this remedy the unfair act? Will it benefit
11 the U.S. industry? If it doesn't, then there is no
12 material injury or threat of material injury by reason
13 of the subject imports, and I think that was a really
14 good point about the background and the statistics
15 that we supplied in Tom Schultz's PowerPoint. We'll
16 get into that in a little more detail in our post-
17 conference brief and submit that information to you.
18 Thank you very much.

19 MR. NEELEY: I'll just add a couple of quick
20 points as well.

21 First of all, you did not hear from us,
22 certainly from the Chinese industry, that we were
23 questioning the motives of the U.S. industry. I don't
24 think you heard one word about that. What we said was
25 we were questioning their economic analysis, and we

1 were questioning, under Bratsk, what would happen,
2 what would have happened, what is holding prices down.
3 It was an economic analysis, not a question of
4 motives, at least from our point of view.

5 Secondly, Mr. Waite said, quoting, and
6 others quoting, the presidential analysis in the
7 Section 421 case was irrelevant or not important, but
8 when you read that, it really bears a remarkable
9 resemblance to what the Court of Appeals for the
10 Federal Circuit said in Bratsk. I mean, it's almost
11 word for word.

12 So while he may say, well, it's different
13 than what the Commission did in the 421, and that may
14 be the case, it is not very different than what the
15 Court of Appeals said in Bratsk, and I think he has
16 got a very large problem because of that.

17 I would also like to touch, just real
18 briefly, on Mr. Zhong's testimony because Mr. Waite
19 did bring it up, and Mr. Zhong said, and he is,
20 obviously, a person who is concerned about the impact
21 of this case on dry cleaners and on small businessmen,
22 and rightfully so -- I can sympathize with him on
23 that, but what we think, and this is our economic
24 analysis, is that reaction, that negative impact,
25 would be fairly short. Mr. Zhong himself said that.

1 He said three to six months.

2 As part of our analysis, in our post-
3 conference brief, we'll try to get some numbers on
4 that, but the reality is, as Mr. Zhong himself pointed
5 out, it's going to be a very short-term relief, if
6 any, and it my disrupt his people. He doesn't like
7 that, and I can understand that, but the economics
8 that are driving this are this is a low-cost industry,
9 it's a low-tech industry, and virtually no barriers to
10 entry, and so we'll address that further in our post-
11 conference brief. Thank you.

12 MR. CARPENTER: Thank you, Mr. Perry and Mr.
13 Neeley.

14 On behalf of the Commission and the staff, I
15 want to thank the witnesses who came here today, as
16 well as counsel, for sharing your insights with us and
17 helping us develop the record in this investigation.

18 Before concluding, let me mention that there
19 should be an APO release available for you to pick up
20 in the secretary's office on your way out. Also, the
21 deadline for the submission of corrections to the
22 transcript and for briefs in the investigation has
23 been moved to Monday, August 27. If briefs contain
24 business-proprietary information, a public version is
25 due on August 28th. Because of Commerce's

1 postponement of initiation, staff will notify parties
2 of the schedule for the remainder of the investigation
3 as soon as it's finalized.

4 Thank you for coming. This conference is
5 adjourned.

6 (Whereupon, at 1:23 p.m., the preliminary
7 conference in the above-entitled matter was
8 concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Steel Wire Garment Hangers from
China

INVESTIGATION NOS.: 731-TA-1123 (Preliminary)

HEARING DATE: August 21, 2007

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary conference

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

DATE: August 21, 2007

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 E. 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