

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
BOLTLESS STEEL SHELVING UNITS )  
PREPACKAGED FOR SALE FROM CHINA )      Investigation Nos.:  
701-TA-523 AND  
731-TA-1259 (Preliminary)

**REVISED AND CORRECTED**

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 8 CHINA )

9

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11 Tuesday, September 16, 2014

12 Main Hearing Room (Room 101)  
 13 U.S. International  
 14 Trade Commission  
 15 500 E Street, S.W.  
 16 Washington, D.C.

17 The Preliminary Conference, commenced, pursuant  
 18 to notice, at 9:30 a.m., before the Investigative staff of  
 19 the United States International Trade Commission.

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1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

4 Catherine DeFilippo, Director of Investigations

5 Elizabeth Haines, Supervisory Investigator

6 Mary Messer, Investigator

7 Dennis Fravel, International Trade Analyst

8 Tana Farrington, Economist

9 Mary Jane Alves, Attorney

10 Justin Jee, Accountant/Auditor

11 Waleed Navarro, Statistician

12

13 Sharon Bellamy, Program Support Specialist

14 Mikalya Kelley, Student Intern

15

16 PANEL 1 -- In Support of the Imposition of Antidumping and

17 Countervailing Duty Orders:

18 ORGANIZATION AND WITNESS:

19 Kathleen W. Cannon, Kelley, Drye & Warren LLP

20 Paul C. Rosenthal, Kelley, Drye & Warren LLP

21 R. Alan Lubberda, Kelley, Drye & Warren LLP

22 Mitchell Liss, Vice President, Edsal Manufacturing Company

23 Chris Quick, Sales Director, Edsal Manufacturing Company

24 Gina Beck, Economist, Georgetown Economic Services

25

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

3        ORGANIZATION AND WITNESS:

4        Mark D. Herlach, Sutherland Asbill & Brennan LLP

5        Charlie Kruly, Sutherland Asbill & Brennan LLP

6        Kenneth Whalen, President, Whalen LLP

7        Steven Painter, President, Whalen Storage

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## 1 PROCEEDINGS

2 MS. DeFILIPPO: Good morning, and welcome to  
3 the United States International Trade Commission's  
4 conference in connection with the preliminary phase of  
5 Anti-Dumping and Countervailing Duty Investigation Nos.  
6 701-TA-523 and 731-TA-1259, concerning Boltless Steel  
7 Shelving Units Prepackaged for Sale From China.

8 My name is Catherine DeFilippo. I am the  
9 director of the Office of Investigations, and I will preside  
10 at this conference. Among those present from the Commission  
11 staff are, from my far right, Elizabeth Haines, the  
12 Supervisory Investigator; Mary Messer, the Investigator. To  
13 my left, Mary Jane Alves, the Attorney-Advisor; Tana  
14 Farrington, the economist; Justin Jee, the  
15 Accountant/Auditor; Dennis Fravel, the Industry Analyst and  
16 Leed Navarro, the statistician.

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

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

1 court reporter. All witnesses must be sworn in before  
2 presenting testimony. Are there any questions? Seeing  
3 hearing none, good morning, Madam Secretary.

4 MS. BELLAMY: Good morning.

5 MS. DeFILIPPO: Are there any preliminary matters  
6 today?

7 MS. BELLAMY: No.

8 MS. DeFILIPPO: Very well. Let us proceed with  
9 opening statements.

10 MS. BELLAMY: Opening statement on behalf of the  
11 Petitioner, Kathleen W. Cannon, Kelley, Drye and Warren,  
12 LLP.

13 MS. DeFILIPPO: Good morning. Welcome, Ms.  
14 Cannon.

15 OPENING STATEMENT BY KATHLEEN CANNON

16 MS. CANNON: Good morning, Ms. DeFilippo, thank  
17 you. Good morning members of the staff of the Commission.  
18 I'm Kathleen Cannon of Kelley Drye. We represent the  
19 Petitioner, Edsal Manufacturing Company in this case.

20 Our case involves a product that is new to the  
21 Commission, but is an old story. Dumped and subsidized  
22 imports from China are taking sales from and undercutting  
23 the prices of yet another domestic industry, causing injury  
24 and threatening the continued viability of the industry and  
25 its workers.

1                   The product at stake this time is boltless steel  
2 shelving units prepackaged for sale. We have brought  
3 samples for you to examine, and our industry witnesses will  
4 describe this product in more detail. It is a fairly  
5 straightforward product that you typically would find at  
6 your local home improvement store.

7                   The product is made of steel and consists of  
8 vertical posts, horizontal beams and decking, which are the  
9 flat storage surfaces on which to store your materials. I  
10 have a couple of these shelving units in my garage, which is  
11 where they are typically set up. The boltless nature of the  
12 product allows for ease of assembly, even for inexperienced  
13 homeowners.

14                   In fact, our paralegal set up the shelving unit  
15 you're looking at in about five minutes this morning,  
16 without any tools at all. The prepackaged nature of the  
17 product provides everything you need in one box.

18                   Edsal Manufacturing Company has been in this  
19 business for quite a while, and is recognized as producing a  
20 quality product. There are a few other small producers of  
21 this product in the United States as well. Unfortunately,  
22 there are also more than 20 producers of this product in  
23 China, who have been aggressively trying to expand their  
24 sales by selling low-priced shelving into the U.S. market.

25                   As you can see, the product is fairly basic.

1 Companies in China can and do make shelving that is  
2 interchangeable with the product that Edsal produces. As a  
3 result, the basis of competition in the U.S. market is  
4 price. The Chinese producers have gained sales in this  
5 market by undercutting Edsal's prices at significant levels.

6 Domestic retail purchasers of shelving  
7 understandably find these low prices very attractive.  
8 Unfortunately, the low prices are being made possible by  
9 Chinese government subsidies and by dumping. Edsal and the  
10 other U.S. steel shelving producers make quality products  
11 and operate efficiently, but they cannot compete with the  
12 largesse of the Chinese government.

13 In fact, Edsal has had to resort to importing  
14 this product itself at times, to compete with other imports  
15 and to supply the low prices that customers demand. This  
16 market is unusual, in that to our knowledge, there are no  
17 other sources of imports of this product other than China.  
18 Perhaps other countries also cannot compete with dumped  
19 Chinese pricing.

20 Edsal has no choice, as this is its home market.  
21 In fact, as Mr. Quick will describe, periodically Edsal's  
22 representatives even have to travel to China to participate  
23 in sales reviews by large U.S. retailers. The U.S.  
24 retailers know where to look for low prices.

25 Although Chinese suppliers have been selling

1 boltless steel shelving into the United States for a while,  
2 the aggressive nature of their pricing has intensified in  
3 2013 and 2014. Edsal has already lost significant Black  
4 Friday business this year because a Chinese supplier  
5 undercut its price. At those accounts, where Edsal was able  
6 to maintain business, it was forced to sell at unprofitable  
7 levels.

8           The effects of these unfairly priced imports on  
9 the domestic industry has been severe. Domestic capacity is  
10 sitting unutilized; employees have laid off; production has  
11 been cut back. The most damaging effects are financial, as  
12 it impossible to earn profits when you have to compete at  
13 price levels that are below your costs, and the worse is yet  
14 to come.

15           Edsal is very familiar with Chinese shelving  
16 producers, as it has production operations in China. We  
17 know there are many Chinese producers of boltless steel  
18 shelving with massive capacity, and that an enormous amount  
19 of that capacity is sitting idle.

20           The U.S. market is a very attractive outlet, and  
21 Chinese producers already have ties with U.S. retailers.  
22 Left unchecked, the inroads made by imports from China to  
23 date will continue to grow rapidly at the expense of Edsal  
24 and other U.S. producers. Edsal brought this case so that  
25 it could try to save its U.S. production operations and be

1 in a position to rehire U.S. workers, rather than having to  
2 lay them off.

3 Without relief, boltless steel shelving will  
4 become one more product that the United States no longer  
5 produces, and one more market that we have ceded to China.  
6 Thank you.

7 MS. DeFILIPPO: Thank you, Ms. Cannon.

8 MS. BELLAMY: Opening Statements on behalf of  
9 Respondent, Mark D. Herlach, Sutherland, Asbill and Brennan,  
10 LLP.

11 MS. DeFILIPPO: Good morning.

12 OPENING STATEMENT

13 MR. HERLACH: Good morning, Ms. DeFilippo. Good  
14 morning to the rest of the staff. My name's Mark Herlach.  
15 I'm a partner in the law firm of Sutherland, Asbill and  
16 Brennan, and I'm accompanied here today by my colleague,  
17 Charlie Kruly. We represent Whalen, LLC, which is an  
18 importer of repackaged boltless steel shelving units from  
19 China, and we appear in opposition to the petition.

20 We actually agree with Ms. Cannon, that this is  
21 an unusual case, but for somewhat different reasons. It's  
22 unusual because of the nature of the market, and it's also  
23 unusual because of the dominant position of the Petitioner  
24 in that market.

25 Now as you're going to hear today, the market for

1 prepackaged boltless steel shelves is really defined by five  
2 major big box customers, and those are all familiar, I'm  
3 sure, to the staff. It's Home Depot, Lowe's, Menards, Sam's  
4 Club and Costco. Edsal, the Petitioner, actually supplies  
5 four of those five major customers, and continues to have  
6 great success with them.

7           As Ken Whalen will explain during his testimony,  
8 the simple fact is that Edsal's doing quite well in the key  
9 part of that market, and it's really not suffering material  
10 injury by reason of import competition, and we'll get into  
11 that later this morning. So with that context, I ask that  
12 you keep three things in mind as you listen to the testimony  
13 this morning.

14           First, it's critical to understand that the  
15 boltless steel shelving industry has suffered a decline in  
16 sales and some real challenges, and as a result all the  
17 companies in the business now have reduced margins. That  
18 has nothing to do with import competition.

19           Second, despite this economic challenge that the  
20 industry faces, Edsal has consistently been successful in  
21 remaining as the primary supplier of this product in the  
22 market.

23           Third, the key driver of that success in fact has  
24 been Edsal's aggressive pricing, which has consistently been  
25 lower than that of Whalen, which is the other major

1 supplier. Now in this case, we would just like to suggest  
2 to you in a public forum Commission staff should be  
3 extremely careful in reviewing the questionnaire data, and  
4 we ask that you be skeptical and not accept at face value  
5 Edsal's allegation of injury caused by import competition.

6 This case needs to stand on its own merits, and  
7 whatever the history of past Chinese cases might be, you  
8 need to look specifically at this rather unusual market.  
9 Whatever decline in financial performance that Edsal  
10 attempts to attribute to import competition is in fact the  
11 result of other factors, as Mr. Whalen will explain during  
12 his testimony.

13 MS. DeFILIPPO: Thank you, Mr. Herlach. We will  
14 now move to direct presentation. First, we'll begin with  
15 Petitioners. I welcome Ms. Cannon and Mr. Rosenthal and the  
16 rest of your panel back up here.

17 (Pause.)

18 STATEMENT OF MITCHELL LISS

19 MR. LISS: Good morning. My name is Mitchell  
20 Liss. I'm the Vice President of Edsal Manufacturing. Edsal  
21 is a U.S. producer of boltless steel shelving and the  
22 Petitioner in this case. I've worked at Edsal and in the  
23 boltless steel shelving industry for 12 years. Edsal's  
24 domestic manufacturing operations are located in Chicago,  
25 Illinois, and Edsal was started by my father-in-law, Edward

1 Saltzberg in 1957, which just \$500.

2           It has been family owned and operated since its  
3 inception. Edsal's been producing steel shelving since the  
4 1960's. Although there are a few other small domestic  
5 producers of prepackaged boltless steel shelving, Edsal is  
6 the largest U.S. producer of this product.

7           I'd like to describe for you today the product  
8 that is the subject of this case, how it differs from other  
9 types of shelving products. I've brought along some samples  
10 to help you understand the nature of the product a little  
11 bit better, and I'd also like to give you some background  
12 about our company, how we compete in the U.S. market, and  
13 what has caused us to file this trade action.

14           The product we produce and that is the subject of  
15 this trade case is boltless steel shelving units that are  
16 prepackaged for sale. Over here against the wall, we've  
17 assembled a portion of a five-level rivet unit, and I'll  
18 describe the main components of this.

19           The product has three basic components. The  
20 first is the vertical member that has the holes in it, which  
21 we also refer to as posts. We have horizontal pieces, which  
22 are vertical, it looks like posts like that, the horizontal  
23 member, which is used to support the deck. We also refer to  
24 those as beams or braces, and they fit together without nuts  
25 or bolts or screws to form a strong, stable steel frame.

1           The beams not only provide structural integrity  
2           for the unit; they also support the deck to complete the  
3           unit. In describing the unit, we refer to the entire  
4           assembly as shelving in our industry. In common parlance,  
5           you might think of shelves as just the flat surfaces, but in  
6           our world, the flat surfaces are decks or decking material  
7           that sit on the beams.

8           That decking comes in a variety of types. You  
9           see a particle board. Also wire decking is available, just  
10          to name a couple of them.

11          Boltless steel shelving is generally manufactured  
12          from hot-rolled, flat-rolled carbon steel that is roll  
13          formed or pressed into a shape. The most common thickness  
14          ranges for the posts are 14 to 18 gauged, for the beams also  
15          14 to 18 gauged steel. The posts, which are the vertical  
16          members, can come in a number of different profiles. The  
17          one you see here I would refer to as an L, because it kind  
18          of has a shape as an L. Each face has holes or slots into  
19          which the rivets would get assembled.

20          The beams as well come in a number of different  
21          profiles. This is a very common one, a Z beam shape. But  
22          there would be others. That includes something like a step  
23          beam, but they're all functionally equivalent.

24          Beams and posts are generally coated with some  
25          type of paint, zinc, powder or enamel to prevent rusting.

1 The product most commonly comes in black, gray and silver  
2 finishes, and in this regard, the units are primarily  
3 designed for functionality rather than visual appeal.

4 This is the type of product you're probably going  
5 to find in your garage, basement or back room, more than  
6 you're going to find it in your living room, kitchen or some  
7 commercial display area, where wood shelving would probably  
8 be more common. Boltless steel shelving comes in a variety  
9 of different designs. The two most common ones would be the  
10 rivet shelving that you see there, and secondly, something  
11 that we refer to as welded frame shelving.

12 For rivet shelving, as I'm showing you, the beams  
13 fit through the sides. Welded frame shelving typically  
14 looks something like this, where the upright is a welded  
15 piece and the beam in this case slides it. That's  
16 considered welded frame.

17 An important physical characteristic of our  
18 product that differentiates it from other types of shelving  
19 is its ease of assembly. As you can plainly see advertised  
20 on the packaging, you don't need tools other than maybe a  
21 hammer to make the pieces snugly fit together. The product  
22 requires no bolts or screws to assemble the frame.

23 Unlike other types of shelving, you don't need to  
24 get out a screwdriver or wrenches to assemble this product.  
25 It is very user friendly, even for those inexperienced with

1 do-it-yourself projects, and it can typically be assembled  
2 in under a half hour. This easy, quick assembly without the  
3 use of fasteners and tools is what customers, what our  
4 customers and the ultimate consumers want.

5 Another unique aspect of our product is that the  
6 pieces come together in a single kit, packaged for the  
7 consumer. Customers don't have to go figure out how many  
8 posts, how many beams, how many decks and other pieces they  
9 need to fit their storage needs.

10 All the pieces necessary to put a single  
11 stand-alone shelving unit together are packaged together in  
12 one box. There are a number of models offered with  
13 different heights, widths, depths, decking materials and  
14 capacities, each packaged as a matter of ease to the  
15 consumer. Given these physical characteristics, the ease of  
16 assembly without tools in the prepackaged kits that we sell,  
17 our product is not interchangeable with other types of  
18 shelving.

19 Customers do not perceive other types of products  
20 in which the pieces are all sold individually, or products  
21 in which there are nuts and bolts to assemble as  
22 substitutable with this product. In fact, where you see  
23 components sold in that way, it is generally for an  
24 industrial or commercial use in a made-to-order shelving or  
25 storage system.

1           The channel of distribution for the subject  
2 product also differentiates it from other types of shelving.  
3 Prepackaged boltless steel shelving is sold to retailers who  
4 are generally big box, home improvement stores, club  
5 retailers, department stores, office supply stores and  
6 online retailers.

7           The product is offered in a user friendly fashion  
8 at retail as a packaged kit. In contrast, other types of  
9 steel shelving are sold through distributors that supply  
10 bulk product, not discrete consumer kits, and generally to  
11 industrial purchasers, not to retailers.

12           In addition, our product is typically limited to  
13 approximately ten common sizes, while the industrial  
14 purchasers buy bulk components in hundreds of sizes and  
15 configurations. Edsal does not manufacture other types of  
16 shelving or product on the same equipment that we use to  
17 produce the subject product of this case, and to my  
18 knowledge, companies that produce other types of shelving  
19 generally do not produce prepackaged, boltless steel  
20 shelving.

21           These are considered separate industries  
22 comprised of separate producers. We and our customers  
23 consider our product to be a discrete product that is  
24 different from and not competitive with other types of  
25 shelving products, such as wood shelving, plastic shelving

1 or wire shelving.

2 Other shelving products like wood, plastic and  
3 wire shelving tend to have lower shelving capacities and are  
4 typically offered in smaller sizes.

5 Let me now turn to telling you more about Edsal's  
6 business, and how we have been harmed by unfairly-traded  
7 imports from China. Edsal produces a high quality product,  
8 and we are a well-respected supplier in our business.  
9 Unfortunately, several years ago, imports from China began  
10 making inroads in the U.S. by selling at very low prices.

11 To the big box retail stores that are our largest  
12 customers, price is critically important to their purchasing  
13 decision. These Chinese producers have offered extremely  
14 low, sometimes absurdly low prices, and our customers have  
15 expected us to be able to meet those prices.

16 As a consequence, we have lowered our prices, but  
17 only to avoid losing big sales to important customers. When  
18 we haven't been able to do that, we have lost the sale.  
19 Because a small group of retailers accounts for a large  
20 volume of our sales in boltless steel shelving, our loss of  
21 even a single one of those large customers would be  
22 catastrophic to our business.

23 Although this problem has existed for some time,  
24 the aggressive pricing behavior of the imports has  
25 intensified in 2013 and 2014. Demand for boltless steel

1 shelving has been strong in recent years, which should have  
2 led to healthy and strong operations at Edsal.  
3 Unfortunately, the import volume from China has increased at  
4 even a faster pace than the demand, capturing an increased  
5 U.S. market share at Edsal's expense.

6           Since 2011, the U.S. industry has lost a sizeable  
7 share of the market to China. To the best of my knowledge,  
8 there are no other sources of imports of boltless steel  
9 shelving besides China. So each U.S. sale captured by  
10 unfairly-traded imports from China is a lost sale to the  
11 U.S. industry.

12           The result of these low-priced imports at  
13 increasing volumes has been worker layoffs, reduction of  
14 shifts, curtailment of production and significant financial  
15 damage. Edsal cannot remain in business if it has to  
16 compete with imports that are subsidized by China, and that  
17 sell at dumped prices that are often below our cost.

18           One other step that we've been forced to take in  
19 an effort to remain competitive is to import boltless steel  
20 shelving from China to compete with other Chinese imports.  
21 Ideally, we would prefer not to import at all, and instead  
22 produce all of this product domestically.

23           It was not an inability to produce the product  
24 domestically that drove us to import. We turned to  
25 importing in an effort to remain competitive, for our

1 customers who are demanding low prices that they're seeing  
2 in China. We are very familiar with the Chinese shelving  
3 industry, as we have our own manufacturing operation for  
4 boltless steel shelving in China.

5 Our goal in establishing this facility about ten  
6 years ago was to supply the product to the Chinese market.  
7 Unfortunately, we have not seen the demand growth in China  
8 for which we had hoped. Edsal's Chinese factory exports  
9 some production to the United States to compete with other  
10 Chinese producers, but we cannot compete with those prices  
11 from our domestic operations. Our facility in China is  
12 rather modest. It is not the source of the major import  
13 volumes from China.

14 We are well aware of over 20 boltless steel  
15 shelving producers in China today. They have massive  
16 capacity, significant idle capacity that will lead them to  
17 further increase exports of low-priced product to the United  
18 States. The injury Edsal has suffered already will get much  
19 worse very quickly when that occurs. Chinese producers  
20 already have a significant foothold in our market, and  
21 they've established relationships with major domestic  
22 customers. They could readily supply the entire U.S.  
23 market.

24 Some industry members have asked Edsal why file a  
25 trade case when you yourself have a foreign affiliate, when

1       you're importing some product from China yourself? The  
2       answer is Edsal's interest and my personal interest lie in  
3       domestic production, not in importation.

4                 We and our workers need trade relief to save our  
5       U.S. production operations, so that we can supply our home  
6       market. We've used imports to satisfy customer demands for  
7       competitive prices. This has been necessary to preserve our  
8       business, but we would greatly prefer to rehire U.S. workers  
9       we laid off to supply our U.S. customers' needs from our  
10      U.S. operations, not from China.

11                Without remedial relief, however, we will not be  
12      able to do that. Instead, we will likely see our U.S.  
13      operations further diminished, additional production  
14      curtailments and worker layoffs, as well as further  
15      financial harm. This is not something I want to see happen  
16      to my company or to our workers.

17                We have filed this trade case in an effort to  
18      save our U.S. Company. On behalf of Edsal and its workers,  
19      I ask for your help in making this happen. Thank you.

20                                STATEMENT OF CHRIS QUICK

21                MR. QUICK: Good morning. I'm Chris Quick the  
22      sales director of Edsal Manufacturing Company. I've held  
23      that position and have been involved with sales of boltless  
24      steel shelving for the past 20 years. I would like to  
25      describe for you today some of the market dynamics

1 surrounding the sale of boltless steel shelving and how  
2 low-priced imports from China affect Edsal's operations.

3 As Mr. Liss stated, the purchasers of boltless  
4 steel shelving are generally big box stores, department  
5 stores and home improvement stores. Our sales are produced  
6 to order and occur generally for a single delivery as  
7 opposed to a contract basis. We sell our product on a  
8 nationwide basis and compete with imports from China on a  
9 nationwide basis as well.

10 The sales process of boltless steel shelving  
11 varies depending on the purchaser. A number of U.S. buyers  
12 of this product assemble a global sourcing team in China and  
13 conduct multi-day process to purchase boltless steel  
14 shelving in what is called a line review. The very fact  
15 that these line reviews frequently occur in China is a  
16 strong indication of the power of the Chinese suppliers and  
17 the attractive nature of their pricing to the U.S. buyers.

18 The buyers conduct periodic line reviews where  
19 the retailer makes its buying decisions. To sell to those  
20 major U.S. retailers we often have to travel to China, rent  
21 a hotel room and set up a display of our products that are  
22 produced in the United States. Each buyer schedules its  
23 own review, so we conduct this process periodically with  
24 different buyers.

25 Under this process even though I'm trying to sell

1 a domestically produced boltless steel shelving to a big box  
2 store that is located right down across the town from a U.S.  
3 facility in Chicago, I have to travel all the way to China  
4 at a significant expense to negotiate sales with their buyer  
5 and competition with numerous Chinese suppliers.

6 We will submit in our brief further specifics on  
7 these line reviews, the competition we faced and the sales  
8 we have lost to China. I would also like to highlight the  
9 fact that each of these large retailers has what is called a  
10 global sourcing team whose primary function is to locate the  
11 lowest cost Chinese suppliers and present those low cost  
12 options to the U.S. retail buyers.

13 These global sourcing teams have the advantage of  
14 seeing the U.S. price and new product designs even though  
15 the global sourcing team represents the Chinese suppliers.  
16 I can recall a specific instance when one of the global  
17 sourcing team members asked me why do you want to supply the  
18 product from China.

19 In fact, oh I'm sorry, why do you want to supply  
20 the product from the U.S. In fact during the reviews in  
21 China, all of the forms that we must complete only  
22 contemplate the purchase of the product from China and the  
23 U.S. is essentially forced to create its own quotation form  
24 to show the price of the product made in the United States.

25 In addition to line reviews, we have also

1 opportunities in the United States to sell our product to  
2 the U.S. purchasers. In most of those instances, a  
3 purchaser will give us a chance to bid on a particular sales  
4 opportunity. The purchaser asks for us to submit an offer.

5 Although the price offers from all suppliers are frequently  
6 sealed, we are aware of the price levels offered by the  
7 Chinese suppliers based on our experience with our prior  
8 sales and feedback from our customers.

9 We attempt to offer a competitive price, one that  
10 ideally allows us some financial return. We then are told  
11 by the purchaser whether we are awarded the business or not.  
12 When we do not get the business the retailer virtually  
13 always tells us that it is because we did not offer a price  
14 as low as the competing Chinese supplier. All of the U.S.  
15 purchasers are aware of the low prices that Chinese  
16 producers offer for their shelving. Our customers  
17 generally are retailers who demand prices that are  
18 competitive with the Chinese producers so that they can  
19 remain competitive with other retailers in the selling of  
20 boltless steel shelving to customers.

21 Edsal is constantly forced to price its U.S.  
22 product at unreasonable price levels to win the sale or risk  
23 losing the business to China. Most of the purchases of  
24 boltless steel shelving from China are imported directly by  
25 the retailer. In our business, this is referred to as

1 direct importing. Retailers utilize the direct  
2 importization in order to reduce their product, their  
3 logistics and their supply chain cost.

4 All U.S. retailers or their respective global  
5 sourcing teams go directly to the Chinese manufacturers for  
6 pricing offers and compare the Chinese factory offers to the  
7 price of the Edsal U.S. offer. The price offers by the  
8 Chinese manufacturers are incredibly low, generally well  
9 below our cost yet I must compete against these prices if I  
10 want to maintain the sales to Edsal to those retail  
11 customers.

12 In addition to purchasing directly from Chinese  
13 manufacturers, some retailers buy through companies that  
14 serve as a sales agent in the transaction. Sales agents  
15 are involved in our market however, they are not generally -  
16 - they are generally not the importer of record. Even the  
17 use of agents the retailers take possession of the product  
18 in China and are the importers of record.

19 The agent's primary role is to facilitate the  
20 sales transaction between the retailer and the Chinese  
21 manufacturer. Edsal's competition for these sales is  
22 against the price offered by the sales agent when an agent  
23 is employed. Edsal's competition when the retailer buys  
24 directly from the Chinese factory is the price offered by  
25 the Chinese factory.

1                   In the end no matter the form of the sale, the  
2                   buyer decision always comes down to price. I am constantly  
3                   pressured to reduce Edsal's price to compete with lower  
4                   Chinese prices. Price is really the only factor that is a  
5                   part of a negotiation and sourcing decision. There's no  
6                   question, no question about the quality of our product or  
7                   about Edsal's reputation, reputation sorry, that has been  
8                   long established.

9                   Purchasers increasingly just want the lowest  
10                  price. In recent years it has become extremely difficult  
11                  for Edsal to sell the shelving that we manufacture in the  
12                  United States at any reasonable price level and obtain a  
13                  sale. Numerous Chinese suppliers are selling or trying to  
14                  sell boltless steel shelving into the U.S. market. They  
15                  each try to undercut the price of one another as well as the  
16                  price of Edsal to obtain the sale.

17                  Let me give you a very painful example. As you  
18                  may be aware of, the day after Thanksgiving in the retail  
19                  business is known as Black Friday. That day and the  
20                  following several days are generally the busy shopping days  
21                  of the year. In the past several years, the Black Friday  
22                  period accounted for sales of over 100,000 steel shelving  
23                  units per year.

24                  Black Friday sales are a very significant part of  
25                  Edsal and the retailer's total business of the year. In May

1 of this year Edsal was approached by a major U.S. retailer  
2 to provide a price for the retailer's Black Friday business.

3 Edsal provided the retailer with what we thought was a very  
4 competitive price offer and one frankly that would not have  
5 been very profitable to us.

6 Our price offered in 2014 was lower than our  
7 offers in past years, and in those past years we were  
8 awarded the retailers Black Friday promotional business.  
9 However, for this year despite our lower price we offered,  
10 we were told that we lost the business to Chinese supplier,  
11 because the Chinese supplier offered a better price. That  
12 one lost sale accounted for approximately five million  
13 dollars in lost business to Edsal. This year it was a main  
14 factor causing employee lay-offs Mr. Liss mentioned.

15 That significant loss business was also the  
16 tipping point that led to the filing of this trade case.  
17 Getting the absolute lowest price may be appealing to the  
18 purchasers, but it is absolutely devastating to our  
19 business. I am constantly on the phone with Mr. Liss  
20 discussing how low a price we would be willing to offer to  
21 try to get a sale, or maintain our existing business.

22 I know that the price the purchasers are asking  
23 will hurt our bottom line, but cutting our price is  
24 sometimes better than losing a customer altogether because  
25 as Mr. Liss mentioned, there are a small number of major

1 customers of steel shelving in the United States. The  
2 complete loss of any one of those accounts would be  
3 catastrophic to Edsal.

4 And another recent example while Edsal was able  
5 to keep a portion of the business at another major account,  
6 we lost huge revenue. We were forced by the retailer to  
7 reduce our price even further than our offered price to  
8 share in an absorbantly large discount that the retailer  
9 intended to offer in sales promotions. This discount was  
10 being provided by a competing Chinese supplier and thus  
11 Edsal was forced by the retailer to match the offer.

12 Those required discounts were another significant  
13 hit to our bottom line. To make matters worse our raw  
14 materials costs primarily hot-rolled steel have increased  
15 forcing us to try to raise prices. It is extremely  
16 difficult to cover these increased costs when the import  
17 prices are so low. Trying to compete with these prices and  
18 remain in business is putting Edsal in an impossible  
19 situation.

20 The large number of Chinese suppliers offering  
21 low-priced shelving leaves us little ability to negotiate or  
22 obtain higher price levels from purchasers although higher  
23 prices are needed to offset higher raw material costs.

24 Because of the extremely low import, I'm sorry.  
25 Because of the extremely low import prices Edsal has faced,

1 I am also involved with selling some import product to our  
2 customers. Although we would prefer to produce the product  
3 in the U.S.A. we have been forced to look to imports to be  
4 competitive in this business.

5 The prices that Chinese imports offer are so low,  
6 we have no choice but to offer the Chinese product to some  
7 purchasers at the low prices they seek. We cannot feasibly  
8 offer these same low prices for the U.S. manufactured  
9 product if we want to remain a viable supplier in this  
10 market.

11 This option, however, is only a short-term  
12 solution. If the prices remain low and the offers from  
13 China are prevalent as they have done I will not be able to  
14 sell any, any of our U.S. produced shelving at the prices  
15 needed for Edsal to continue to manufacture shelving in the  
16 United States.

17 The failure to remedy this unfair import problem  
18 will mean that our industry, like so many others in the  
19 United States, would be driven out of business altogether by  
20 lower priced Chinese goods. Thank you for your attention.

21 MS. CANNON: For the record I am Kathleen Cannon  
22 and I will conclude our testimony this morning by addressing  
23 a couple of legal issues. First the domestic-like product,  
24 we have defined the scope of the case is boltless steel  
25 shelving units pre-packaged for sale and we believe the

1 domestic-like product definition should mirror the scope.

2 As Mr. Liss described, the subject product has  
3 unique attributes that differentiate it in physical  
4 characteristics and applications from other types of  
5 shelving. The subject products frame is made of steel, not  
6 wood or plastic. It is designed for functionality and  
7 storing items, not displaying items as is true of wood  
8 shelving. Boltless steel shelving by definition requires  
9 no nuts or screws to assemble. Rather it is characterized  
10 by ease of assembly given the snap-together nature of the  
11 beams and posts as opposed to bolted steel shelving.

12 The subject product is sold as a pre-packaged  
13 kit, unlike components that must be purchased separately and  
14 then matched together. The capacity or load bearing weight  
15 of boltless steel shelving is generally higher than that of  
16 wire shelving or plastic shelving so that it can hold  
17 heavier objects.

18 Wire shelving is also often accompanied by  
19 casters that allow it to be rolled around while a boltless  
20 product is almost always stationary. In terms of use,  
21 other shelving is often used for display, unlike the subject  
22 merchandise. Even when other shelving is used for storage  
23 as I mentioned the maximum capacity of wire shelving or  
24 plastic shelving is generally much less than boltless  
25 shelving.

1           In terms of channels of distribution, boltless  
2 steel shelving is sold primarily to retailers such as home  
3 improvement or big box stores. Even when other types of  
4 shelving are sold by retailers, you would find the subject  
5 product in the home organization or the hardware department  
6 of the store whereas you would find wood shelving generally  
7 in the furniture department and shelving components would be  
8 generally in the building materials department.

9           Components are typically sold for commercial or  
10 industrial uses and are not sold in a pre-packaged kit.  
11 Consumers do not perceive that other types of shelving are  
12 the same as or interchangeable with boltless steel shelving.

13          In fact most of the importer responses to the  
14 questionnaires you have received indicated that there were  
15 no substitutes for the subject product or even if they said  
16 theoretical substitutes, like wood shelving exist, the  
17 importers generally acknowledge those products are not a  
18 direct replacement for and don't affect the prices of  
19 boltless steel shelving.

20          Finally U.S. producers like Edsal that  
21 manufacture boltless steel shelving don't make wood, wire or  
22 plastic shelving. For all of these reasons the  
23 domestic-like product in this case should be definite as  
24 co-extensive with the scope of the case.

25          The second issue I would like to address this

1 morning is the direct import nature of this business.  
2 Historically the Commission has examined trade flows that  
3 are based on foreign producers selling product to a U.S.  
4 importer who takes possession of the goods in the United  
5 States and then resells that product to U.S. purchasers.

6 Competition for sales in those situations occurs  
7 between the U.S. producer's price offer to the U.S.  
8 purchaser and the competing importers price to that  
9 purchaser. Those price comparisons are considered to be at  
10 the same level of trade and appropriate for Commission  
11 quarterly price analysis.

12 Although that form of steel of sale still exists  
13 in many industries. In an increasing number of markets  
14 direct sales have replaced that scenario. Instead of sales  
15 flowing through an importer, U.S. purchasers, particularly  
16 purchasers at large and sophisticated companies like many of  
17 the retailers who buy steel shelving are purchasing directly  
18 from the foreign manufacturer, eliminating the selling agent  
19 importer. Why? Simple economics, you don't have to pay  
20 the mark-up of the importer or the selling agent if you can  
21 buy the product directly from the manufacturer.

22 When that kind of sale takes place, does it mean  
23 that a U.S. manufacturer is not competing for a sale, is not  
24 losing a sale or is not being undercut by the price of the  
25 foreign supplier? Of course not, in fact this type of sale

1 is far worse for U.S. producers because the purchaser is now  
2 being offered an extremely low price by the foreign producer  
3 with which the U.S. manufacturer must now compete.

4 As you heard Mr. Quick testify, Edsal often must  
5 compete for a sale directly against an offer by a Chinese  
6 supplier in the line review. Those are at extremely low  
7 prices and then Edsal must either lower its price to compete  
8 or lose the business. This price competition must be  
9 recognized and accounted for here.

10 Nor is there a problem here of different levels  
11 of trade being compared. Whether the retailer is brought  
12 by director from a Chinese manufacturer, or from a U.S.  
13 producer's facility, it must incur trade and logistical  
14 expenses. As a declaration we will append to brief will  
15 show the price analysis for a retailer in the steel shelving  
16 business is between the price offered by the Chinese  
17 supplier plus a percentage for freight and logistics and the  
18 price offered by the U.S. producer Edsal plus a percentage  
19 for freight and logistics. That is the reality of this  
20 market and frankly that is what is happening in many other  
21 industries with increasingly sophisticated buyers.

22 Even though this form of sale doesn't fit neatly  
23 into the Commission's normal price paradigm, it must be  
24 recognized as another method of competition. Here the  
25 Commission staff has recognized that this direct import

1 issue exists and has gathered data on the cost of the  
2 product to the importer for its quarterly pricing data.  
3 That is an excellent first step. That pricing information  
4 should provide you with information on the prices paid to  
5 the Chinese producer in this direct import scenario.

6 With a small adjustment for freight and logistics  
7 as we will detail further in our brief, those prices must be  
8 compared with the U.S. producer prices. I know these  
9 direct import scenarios are ones you are seeing more and  
10 more. I expect that this form of transaction will continue  
11 to increase, particularly where consumer goods are at issue  
12 and major retailers are involved as buyers.

13 It is critical that the ITC adapt its methodology  
14 to account for this form of import competition generally and  
15 in this case specifically. I urge you to undertake the  
16 necessary comparisons on these direct sales to recognize the  
17 actual nature of the competition in this market and the  
18 injurious pricing behavior that U.S. producers face. To  
19 ignore this type of competition is tantamount to giving cart  
20 blanche to subsidized and dumping foreign producers that  
21 sell directly to U.S. purchasers to undercut U.S. prices,  
22 take U.S. sales and injure U.S. producers in direct  
23 contravention of the statutory purpose.

24 Finally I want to make one comment on the  
25 importer questionnaire responses that you have received to

1 date that have been released to us. There appears to be  
2 rampant misreporting and errors and failure to report data  
3 that should have been reported in those responses.  
4 Significant corrections need to be made in order for the  
5 Commission to rely on any of these responses to assess  
6 volume and pricing levels and trends of imports in reaching  
7 its preliminary determination.

8 Before we begin the questioning let me introduce  
9 also if they are available to answer your questions my  
10 partners, Paul Rosenthal and Alan Luberda as well as our  
11 economist Gina Beck of Georgetown Economic Services. That  
12 concludes our presentation thank you, we will be happy to  
13 answer your questions.

14 MS. DEFILIPPO: Thank you Miss Cannon and I would  
15 like to make a special thank you to Mr. Liss and Mr. Quick  
16 for being here today. I know it's difficult to get away  
17 from the daily business and I very much appreciate you being  
18 here because it does help us understand what is a new  
19 industry to us and we appreciate that and so with that I  
20 will turn to Miss Messer to start questions of this panel.

21 MS. MESSER: Thank you and thank you for those  
22 who traveled to be with us today I appreciate the testimony.

23 While it's fresh in my mind I want to direct the first  
24 question to you Miss Cannon. You were talking about the  
25 comparability of the level of sales, your shipments and the

1 direct imports. Typically when we calculate consumption  
2 and when we use questionnaire data we use U.S. shipments of  
3 imports. When we don't use questionnaire data, when we use  
4 import stats, we use U.S. imports.

5 Since we can't use import stats in this case  
6 because of the huge basket category, how then do you propose  
7 that we should calculate consumption? Should we use the  
8 U.S. imports from the questionnaires or U.S. shipments of  
9 imports?

10 MS. CANNON: Generally you use U.S. shipments to  
11 do that calculation from your questionnaire. I think the  
12 problem here Miss Messer is that there are some serious  
13 problems with the shipment data that have been reported in  
14 the questionnaires. So right now for what we are looking  
15 out from import volumes would be a better measure for  
16 consumption because of those significant errors and let me  
17 ask Miss Beck if she had any other comments on that issue.

18 MS. MESSER: By the way staff is aware of the  
19 errors and we have requested corrections for those errors,  
20 not all corrections have been received to date so.

21 MS. CANNON: And we appreciate that that you are  
22 following up on that. I understand that and then of course  
23 given the nature of the preliminary timing, we may or may  
24 not see the corrections and be able to comment on those. I  
25 guess what I'm saying is from what we have seen now it seems

1       that the shipment information is so insufficient and  
2       inconsistent with what we are seeing that it would really be  
3       a poor basis for a use to determine market shares.

4               MS. MESSER: Assuming, this is a big assumption  
5       that we do get the correct questionnaire data from the  
6       shipments and once again I'm going back to what you just  
7       said about the direct sales being comparable to the U.S., or  
8       the direct imports being comparable to the U.S. producer  
9       shipments. If we did have the correct data from the  
10      importers for their shipments which would you propose would  
11      be more useful?

12             MS. CANNON: And that's a good question because I  
13      think part of it is how are you classifying a product and  
14      that's one of the issues we are seeing in the data is when  
15      you are a direct importer do you consider the product that  
16      you are bringing in simply an import or do you consider it a  
17      shipment as well.

18             And if you don't then you have to consider  
19      looking at the volumes because you are not even picking that  
20      up at all. In other words, from what we've seen some  
21      companies that are direct importers count it as an import  
22      and then seem to also pick it up as a shipment when it's  
23      sold. Other companies count it as an import and then are  
24      not interpreting your questionnaire, if you will, to say  
25      this is a shipment it was just an import by Nitney and now

1 I'm putting it on my shelf.

2 And if that's their interpretation it's not being  
3 picked up as it should be, you would absolutely have to look  
4 at the volume numbers because you would be ignoring this  
5 very substantial amount of import competition that Edsal and  
6 others are experiencing, does that answer your question?

7 MS. MESSER: Yes, thank you. I appreciate that.  
8 I note that I received the revised scope language, I  
9 appreciate that it actually answered a lot of my questions  
10 and clarified, especially the excluded merchandise. I have  
11 a question on the add-on kits that are included in the  
12 scope. From what I understand the add-on kits would only  
13 include two vertical posts as well as the appropriate number  
14 of horizontal beams, did I get that right?

15 Would then -- would you be able to import an  
16 add-on kit and have the holes and the rivets be universal  
17 with a domestically produced shelving unit?

18 MR. LISS: Typically the case first thank you  
19 Miss Messer for your question. Typically an add-on kit is  
20 not that applicable for this type of a unit. It would be  
21 more applicable to this welded frame item because the other  
22 side connection would be shared in the frame. However, the  
23 volume of add-on kits is very small, it's almost  
24 insignificant so.

25 MS. MESSER: That's volume of domestic as well as

1 volume of import?

2 MR. LISS: The number of sales of add-on kits is  
3 de minimis so I don't think it's a significant issue but if  
4 there are specific other questions you need more details, we  
5 could provide that further if you like.

6 MS. MESSER: Okay and these just to go to the  
7 packaging, is this a typical packaging you would see in all  
8 cases, even I understand some of the shelving units are  
9 much, much larger?

10 MR. LISS: That's pretty typical for a larger  
11 product. The carton could be as wide as say 84 inches long  
12 but typically about 24 inches, 18 to 24 inches of height  
13 withstanding there and depths somewhere 4 to maybe 8 to 10  
14 inches of depth but it is all very similar to this.

15 MS. MESSER: Okay and another question about the  
16 excluded items. The named order shelving units would that  
17 include for instance there is a U.S. purchaser theoretically  
18 contacts a Chinese producer and says I want a shelving unit  
19 that's this wide, this deep, has this many shelves, you  
20 package it for them and ship it. Is that what is this made  
21 to order shelving?

22 MR. LISS: Well if it were a particular unit in  
23 which all the components were in to comprise and build an  
24 entire unit in a box the way we've written it, it would be  
25 included. The components that we are discussing really go

1 through a different channel altogether. Think of it  
2 typically as when this building was built there might have  
3 been a back room somewhere here where you needed a whole  
4 room full of shelving and so you called up a distributor of  
5 some sort and said will you design for me all of the pieces  
6 that would fill this entire room and I have specific  
7 requirements for sprinkler heads and so forth and then that  
8 bid got sent out and what arrived here wasn't in a box, it  
9 was rather on large pallets and those components were  
10 typically assembled.

11 So it's a different channel and that channel  
12 typically has engineering services or installation services  
13 and that's the nature of the excluded product.

14 MS. MESSER: Okay so does this item then, is it  
15 made to order this type of shelving that, is there a Chinese  
16 manufacturer that makes this type of shelving that sells it  
17 to order basis?

18 MR. LISS: -- in a contract type of a way in  
19 which I've described for room, not that I'm aware of, but it  
20 is certainly possible, but not that I'm aware of because  
21 it's really a different industry for us.

22 MS. MESSER: Thank you. Ms. Cannon, on the  
23 domestic-like product, thank you for going through those  
24 factors. I appreciate that, but the only one that I thought  
25 was missing was price. Can you discuss the pricing

1 differences between the subject merchandise and other types  
2 of shelving?

3 MS. CANNON: Sure. You're going to see a range  
4 in prices, depending on the nature of the product. I would  
5 say wire shelving is generally less expense. Is that right?  
6 A lot of wire shelving is going to be --

7 MR. LISS: The market is bifurcated even on wire  
8 shelving. There can be some very inexpensive -- let's take  
9 an easier one. Resin shelving is an example, typically  
10 lower priced. Wire shelving a large volume of it is at a  
11 very, very low price, but then there are prepackaged chrome  
12 wire shelving units that are very heavy in nature, and those  
13 could be right in the same range of prices as this flat  
14 rolled product, but it's manufactured differently and it has  
15 different application.

16 MS. MESSER: And the post on the shelving, the  
17 examples that you held up were the L-shape. What are some  
18 of the other shapes? Are there any like tubular-shaped. I  
19 see here that the wire-shelving units, I'm assuming, has  
20 tubular posts?

21 MR. LISS: It is not. The majority of the market  
22 is this L-shape. Where this L-shape is not used, it looks  
23 like this, so you have essentially this L-shape inside of a  
24 flat rolled piece, so it is not a tube.

25 MS. MESSER: Okay.

1                   MR. LISS: And then, within the welded frame,  
2                   again it is not a tube. It's a channel that's rolled form.

3                   MS. MESSER: Thank you. I'd like to move on to  
4                   your unusual situation that you probably know a lot more  
5                   about the Chinese industry than a lot of domestic producers  
6                   that come before us.

7                   In the petition, there was a listing of 20 plus  
8                   producers in China. I believe your public petition  
9                   indicated there were five that were primarily the largest  
10                  that you identified. Can you tell me about how much those  
11                  five largest Chinese producers represent as far as the  
12                  Chinese industry and exports to the U.S.?

13                  MR. LISS: Well, in the brief that we're going to  
14                  file later this week, we can certainly provide details.  
15                  Many of them we have visited. We have photographs for many  
16                  of them, and we have documented, whether from their  
17                  websites, actual claims that they've made, pricing that  
18                  they've given us, a detailed list of them.

19                  MS. CANNON: We'll be submitting in our brief  
20                  information that we've gathered from people that are on the  
21                  ground in China on estimated capacities production at all of  
22                  those facilities. So, you will have a very detailed list of  
23                  our best information on that.

24                  MS. MESSER: Of those 5, or all the 20 plus?

25                  MS. CANNON: Everybody.

1 MS. MESSER: For everybody?

2 MS. CANNON: Everybody.

3 MS. MESSER: And can you also include the amount  
4 of the industry they account and the amount of U.S. exports  
5 that they account?

6 MS. CANNON: Yes, we can try to do that as well.

7 MS. MESSER: Okay. Thank you.

8 Also, going back to that quickly, you have the  
9 Chinese producer questionnaires that we've received to date.  
10 Can you also indicate to us about how much you believe that  
11 they represent?

12 MS. CANNON: Yes, we will do that as well.

13 MS. MESSER: Thank you. Going on to non-subject  
14 producers, can you give us an idea -- I believe, Mr. Liss,  
15 you indicated that non-subject imports were not much of a  
16 part of the -- did I misunderstand you -- that there are no  
17 measurable amounts of non-subject imports? Are there any  
18 other producers in countries other than China that you are  
19 aware of this product?

20 MR. LISS: Of non-subject merchandise?

21 MS. MESSER: Well, the subject merchandise in  
22 non-subject countries.

23 MR. LISS: I've looked at catalogs that are based  
24 out of Europe, so I know that there are probably  
25 manufacturers in Germany or elsewhere in Europe, perhaps,

1 South America. I'm not sure. I do know of one producer in  
2 Mexico that's just around the Mexico City area.

3 MS. MESSER: It would be helpful in any kind of  
4 post-hearing submission if you could give us any information  
5 you have on who are the largest producers in countries other  
6 than China. That would be helpful. And whether or not  
7 you're aware of any antidumping or countervailing duty  
8 orders on the Chinese merchandise in other countries. That  
9 would be helpful as well.

10 Moving on, U.S. imports, I asked briefly a couple  
11 of questions earlier, noted that the ATS numbers are a  
12 basket category, and we can't really use those data for  
13 consumption purposes.

14 The numbers that you provided in the petition  
15 there were three ATS numbers, is there one particular number  
16 that most of these imports are coming in, or is it just all  
17 three?

18 MS. CANNON: There are two numbers that we've  
19 identified that according to Customs ruling the product is  
20 supposed to be classified under. There've been a couple of  
21 rulings on the product. Where it is actually being  
22 classified I think would be a useful question to ask the  
23 importers. We had this same issue in another case I did  
24 recently, and the tariff category that the product was  
25 supposed to be classified in we found out was not where it

1 was, in fact, being classified. And so, I hesitate to  
2 speculate that even though we know where it's supposed to be  
3 that's actually where it's coming in. We don't know.

4 MS. MESSER: And you also have on producer  
5 questionnaires you have what we have as far as importer  
6 questionnaires. Can you give us an indication in your  
7 post-hearing submission about how much coverage we have from  
8 importers?

9 MS. CANNON: Yes. We'll be happy to do that.

10 MS. MESSER: Thank you. And also, if you could  
11 give us an idea as far as the size of the non-subject  
12 country imports, as far as imports from non-subject  
13 countries.

14 MS. CANNON: To our knowledge, there are no  
15 imports from non-subject countries, so we're not aware of  
16 any. Correct.

17 MR. LISS: That's correct. As far as I know,  
18 there are zero imports from other countries.

19 MS. MESSER: And the very last subject is your  
20 U.S. production. Can you give me an idea of how capacity is  
21 calculated in an industry like this?

22 MR. LISS: Our capacity is measured consistently  
23 over time. It always had been based on an eight-hour  
24 workday, five days a week, two shifts. And we look at the  
25 critical components of our manufacturing operation and

1       measure the throughput at those points, and so it's been  
2       done consistently over the subject period and even prior to  
3       that.

4                   MS. MESSER: Thank you. One last question, and  
5       this goes to your being a related party with the importer  
6       and the Chinese producer. You indicated that you do import  
7       from your Chinese producer. Do you keep that product  
8       segregated once it's imported? For instance, is this your  
9       product, the muscle rack?

10                   MR. LISS: This product is our product. Yes.

11                   MS. MESSER: And then I see "Made in the USA"  
12       plastered on the front, very visible. Is there a Chinese  
13       import packaging --

14                   MR. LISS: That says "Made in China."

15                   MS. MESSER: "Made in China"?

16                   MR. LISS: Clearly. And it is segmented.

17                   MS. MESSER: And you are able to keep it separate  
18       in your --

19                   MR. LISS: It is. It's actually in a different  
20       facility. It's not stored in the same facility as the U.S.  
21       product is.

22                   MS. MESSER: And your customers when they come to  
23       you do they request the Chinese product, or do they make a  
24       particular request?

25                   MR. LISS: So, the request from the customer is

1 almost always whether it be in a line review or whether  
2 they're asking us for a price for promotion, "Give us your  
3 best price" and in virtually every one of our responses to  
4 that we are going to give them a U.S. price, price of the  
5 product made in the U.S. We're going to give them an  
6 imported price. That imported price is almost always -- is  
7 always lower. Sometimes dramatically lower. It is then up  
8 to the customers to whether or not they want to buy the  
9 U.S.-made product or they want to buy the imported product.

10 MS. MESSER: So, your imported product is lower  
11 than your domestic product?

12 MR. LISS: The imported price, cost is lower than  
13 the domestic one.

14 MS. MESSER: Then would one be able to argue then  
15 that it's your imported product that is causing the injury  
16 to your business?

17 MR. LISS: Our price that's offered as an import  
18 is not just our imported price. We obtain multiple  
19 quotations and so does the retailer. So, the retailer is  
20 getting price from Edsal Manufacturing, in which they're  
21 going to get domestic and an imported price. They're also  
22 asking a series of other Chinese manufacturers directly.  
23 And then they're going to compare our U.S.-made product  
24 price to the price offered by those Chinese manufacturers.  
25 So, the injury is caused by this low price offered by the

1 factories over in China, not by anything other than that.

2 MS. MESSER: And your Chinese imported price is  
3 comparable to the Chinese imported prices from other  
4 companies?

5 MR. LISS: Typically, our Chinese imported price  
6 is higher than the factory price over in China.

7 MS. MESSER: I believe that's all I have for now.  
8 Thanks.

9 MS. DEFILIPPO: Thanks Ms. Messer. We'll now  
10 turn to Ms. Alves.

11 MS. ALVES: Good morning. Thank you all for  
12 coming. Already your testimony has been extremely helpful,  
13 and there's already a lot of information in the petition.

14 With that said, because there has been already  
15 substantial discussion or information in the petition  
16 regarding domestic-like product, I won't be focusing on  
17 domestic-like product here. Should there be domestic-like  
18 product issues or questions regarding domestic-like product,  
19 or any other questions in the second panel, please feel free  
20 to respond to those questions in your post-conference brief.

21 But in the interest of time, instead, let me  
22 first turn to related parties. As Ms. Messer indicated,  
23 you've already mentioned that you are related to a Chinese  
24 producer and that you are importing some subject  
25 merchandise.

1                   Just a point of clarification, I understand that  
2                   the scope does not include parts. Are your imports from  
3                   China both the products within the scope and then also  
4                   parts, or are they limited to the scope merchandise?

5                   MR. LISS: I sorry? Could you rephrase the  
6                   question?

7                   MS. ALVES: Sure. What you're importing from  
8                   China, are you importing only the scope merchandise as in  
9                   the assembled kit -- the kits that are prepackaged, or are  
10                  you also importing parts that could then be put into kits  
11                  and sold here?

12                  MR. LISS: There have been instances in which we  
13                  have imported parts as well as the full merchandise. Our  
14                  goal as a domestic producer is to produce 100 percent of the  
15                  product in the United States.

16                  As an example, two years ago we were importing  
17                  the majority of the wire decking that you see here, but  
18                  today we have gotten a supplier here in the United States to  
19                  be able to ramp up, and all of this is purchased -- the vast  
20                  majority of this is produced here in the United States.

21                  MS. ALVES: Thank you. And then if you can  
22                  provide more specifics in any post-conference submission  
23                  that would be helpful, just to give us a general sense of  
24                  what's being imported versus what's being manufactured here  
25                  in the United States.

1           In there introductory remarks this morning, which  
2 I recognize are always short, the Respondents' counsel has  
3 referenced the existence of what they consider to be five  
4 major big boxes, and they named them, Home Depot, Lowe's,  
5 Manard's, Costco, and Sam's Club. Would you agree that  
6 these are the five major big boxes in the U.S. market?

7           MR. LISS: I would agree that those five are  
8 significant and large customers. They are certainly not the  
9 only customers here in the United States, and particularly,  
10 with the growth of dot.com and other outlets that landscape  
11 is constantly changing. So, think we have to look at the  
12 landscape as it is now and as it is developing.

13           MS. ALVES: And you're actually anticipating my  
14 next question. Help me understand as much as you can -- I  
15 realize we're in a public forum ^^^^ what the market looks  
16 like, and if I'm straying too far into confidential  
17 information, then if you can be as responsive as possible in  
18 the post-conference brief.

19           First, they suggested that you are selling to  
20 four out of the five of these big boxes; is that correct?

21           MR. LISS: Yeah, that's correct.

22           MS. ALVES: And in any post-conference brief, if  
23 you can identify the one that you're not selling to, and  
24 perhaps if there has been a change in the period that we're  
25 looking at in terms of whether or not you had previously

1       supplied this.

2                   MR. LISS:  Actually, I'll correct that already.  
3       We actually sell to all five out of five, for the record,  
4       and then we'll submit to you what the details of that are.

5                   MS. ALVES:  Can you give us a sense of how big  
6       these five big boxes are in terms of the overall market?  
7       What share of the overall purchases do they represent?

8                   MR. LISS:  Yes, I'd like to do that  
9       post-conference.  Some of that information, again, is  
10      customer confidential for us, so we'll need to look at that.

11                  MS. ALVES:  Understood.  It helps us have a sense  
12      of how important losses of sales are to these customers and  
13      how important these accounts are.  So, I recognize the  
14      sensitivity, but it's also helpful for us to know in terms  
15      of our questionnaire responses as well what we're looking  
16      at.

17                  MR. LISS:  So, just for further clarification,  
18      our two biggest customers comprise well over half of our  
19      volume.  And so, when Mr. Quick made reference to a loss of  
20      one of those two customers, it would have devastating effect  
21      on our company because it is a tremendous to us.  So, our  
22      two comprise well more than half of our overall business.

23                  MR. ROSENTHAL:  Ms. Alves, I just want to jump in  
24      here.  Paul Rosenthal.  It's not just the percentage of the  
25      business they represent, although it's related to the next

1 thing that Mr. Quick had talked about, which is the market  
2 power that they exercise. And the exact details you'll get  
3 in the post-hearing brief, but it is their ability to  
4 dictate price that is so important in this case.

5 MS. ALVES: Understood. And that's exactly the  
6 sort of information that we'd like to get a sense of, how  
7 much purchasing power do these individual purchasers have,  
8 is it a matter of literally losing an entire account, or are  
9 you scaling back your sales at particular accounts, and does  
10 it vary in terms of one purchaser to another, so any  
11 specifics that you can provide about that.

12 You've also indicated that there are other  
13 purchasers other than these five big boxes. Can you give us  
14 a sense, do they all fall neatly into another category, or  
15 what are the general categories that we can group them into,  
16 and where do they range in terms of their significance  
17 overall in the market?

18 MR. LISS: I had provided some broad categories,  
19 and they're broad categories I think you would recognize as  
20 mass merchants, whether that be a Target or a Wal-Mart,  
21 hardware chains -- Ace, Tru Value, so forth. The online  
22 channel, so that would be anything from Amazon to a  
23 Wal-Mart.com that I would include in that channel, and then  
24 office products would be the major -- the office products.  
25 And then, to some extent, even folks that are like a --

1 other kinds of distributors like a Granger. Granger.com  
2 sells our product online. Most of it is in components and  
3 it's contract, but there is some portion of it that is  
4 boxed. So, those categories would comprise the entire  
5 market.

6 MS. ALVES: But you would actually consider  
7 Granger.com and Wal-Mart.com to be a separate segment as an  
8 e-Commerce segment as opposed to anything that they did that  
9 was not through their e-Commerce?

10 MR. LISS: Yes, we do consider those to be  
11 different customers the way the order has to be handled and  
12 so forth. Yes.

13 MS. ALVES: And if you can elaborate on any  
14 differences that you might have to one segment versus  
15 another segment that would be helpful.

16 And this maybe touching on confidential  
17 information as well, but can you identify which portions of  
18 the U.S. market are more what you would consider to be the  
19 direct importers as opposed to those operating with sales  
20 agents?

21 MR. LISS: Every one of our customers, even the  
22 smallest customer who might only order 300 units every month  
23 is looking at direct import, every one of them. That's the  
24 reality of our current market. So, if you as a small  
25 retailer know every month you need one truckload of product,

1 you are going to "why not." You're probably getting three  
2 or four emails a week from various small, medium, and large  
3 manufacturers over in China saying, hey, I sell -- if you  
4 have it on your website, you're getting emails saying, "Hey,  
5 I can sell it to you cheaper." So, you get this.

6           You say to them I need a truck every month.  
7 You're going to get a price from there. You're going to get  
8 a price from us. And then as even a small -- small, medium,  
9 large, it doesn't matter. You're going to take the price  
10 from China, the price from Edsal in Chicago and Chicago's  
11 got this great logistics system because it's central in the  
12 U.S. and we can get just about anywhere. You're going to  
13 compare it to your price to get it from China.

14           And that price from china because shipping costs  
15 have come down so much from there due to I think excess  
16 capacity of container ships and so forth that shipping cost  
17 from China to you isn't probably very much different than  
18 the shipping cost from Edsal to you, whether you're in Omaha  
19 or Seattle. I mean if you look at it overall, those two  
20 shipping costs aren't that much. So, really as a buyer of  
21 300 pieces a month, 3,000 pieces a week, 10,000 pieces a  
22 week, you're going to compare that price to the price that  
23 we offer, and you as a business owner are going to choose  
24 the lower price.

25           MS. ALVES: Ms. Cannon and Mr. Rosenthal, in

1 terms of your post-conference brief, if you could look at  
2 the pricing data and to the extent that there are these  
3 sorts of sales going on how do we factor in freight? Where  
4 does the freight fit into the calculation? And then Mr.  
5 Liss when you are quoting prices are you quoting prices with  
6 or without the freight, and what about your competitors?

7 MR. LISS: I can't speak for my competitors. I'm  
8 not sure how they price the product. For us, it's always  
9 net of freight because most of our customers are larger  
10 procurers of freight than we are, unless somebody really  
11 forces us to add freight on, which is almost never. We'll  
12 quote it FOB factory for Chicago, or we'll quote it FOB  
13 factory in China, or to the ports in China typically.

14 MS. ALVES: And then also when you are working  
15 with these global sourcing teams in the line reviews, you  
16 mentioned that you will provide them a price for U.S. only.  
17 You'll provide an imported price. But ultimately, they're  
18 making the decision whether or not they -- are there really  
19 only two options, taking that imported price or taking that  
20 U.S. price? Who makes the decision that they want some sort  
21 of a mix? Is that a possibility?

22 MR. LISS: It is a possibility to have mix. It  
23 sometimes happens. It's not typical. Typical, you go  
24 through all of the retailers on the market. There are very,  
25 very few products that have any mix, and that's actually why

1 the loss of one of these customers it's a binary situation.  
2 You don't see many of these retailers have split sourcing,  
3 you know, one supplier having some and one supplier having  
4 another.

5 So, typically, quoted without freight in the line  
6 review situation, the global sourcing person makes a  
7 recommendation of which supplier or suppliers are going to  
8 get to price, get to make an offer and the rest of that is  
9 -- and then there's a buyer, a U.S. buyer that's involved.  
10 Of course, the two of them work together to make that  
11 decision.

12 And again, if there's something specific about a  
13 specific customer, we'll be happy to discuss that in the  
14 post-conference brief. Some of that may be confidential  
15 information with our customers as to exactly how they work  
16 together, but we can share that with you.

17 MS. ALVES: Just to be clear, I don't see the  
18 questionnaire responses before I walk into the staff  
19 conference. So, this has nothing to do with any specific  
20 customer. I'm just trying to --

21 MR. LISS: I understand.

22 MS. ALVES: -- understand how these transactions  
23 work, so nobody's getting any extra knowledge that way.

24 MR. LISS: Usually. Again, I mean the overall  
25 customer typically doesn't split between suppliers. And

1 even on a SKU basis, there are SKUs that are split, but it's  
2 not typical. That's not typical. It's usually a binary  
3 decision coming out of a line review. You either have the  
4 majority of the business, virtually all the business, or you  
5 lose all the business.

6 MS. ALVES: And you refer to these as global  
7 sourcing teams. Are they truly global sourcing teams, or  
8 are they buying for the U.S. market?

9 MR. LISS: We have a customer, one specific  
10 customer in mind, and I will quote that person the as saying  
11 we are a global sourcing team. Our job is to source  
12 anywhere, except the U.S. The global sourcing team their  
13 goal at the top of that group of global sourcing when they  
14 set their goals and objectives for next year it's to buy  
15 more stuff overseas than they bought this year. That's all  
16 they care about. When they're able to take a  
17 domestic-produced product and bring it anywhere other than  
18 the U.S., and I have been in this meeting, they literally  
19 are high-fiving, having big dinners, congratulations. It's  
20 unbelievable. Virtually, all of those global sourcing teams  
21 -- I can't speak for all of them, but the one that I know  
22 intimately that is the characteristic of the team. It is to  
23 take a product that is made here and source it anywhere  
24 other than here. Some are very specific to China, but most  
25 mean anywhere on the globe, other than domestically.

1 MS. ALVES: So, for these products, for boltless  
2 steel shelving, when you are providing a quote to them, is  
3 that product only for the U.S. market, or is that product  
4 possibly being sold in China?

5 MR. LISS: No, the quotations we provide to them  
6 would be for a specific market. So, if we are quoting a  
7 U.S., it'll say "China quote sheet for the U.S." So, it's  
8 only for product going to the U.S. Does that answer the  
9 question?

10 MS. ALVES: It does. And so, do you then provide  
11 a separate quote sheet for sales that this global sourcing  
12 team may want to make in China or in Europe or somewhere  
13 else?

14 MR. LISS: Yes, there would be. An example would  
15 be for Mexico. So, if we were quoting a particular customer  
16 -- and those are the typical two, sometimes Canada, so maybe  
17 three. So yes, there would be a separate quote sheet for  
18 Mexico versus Canada versus the U.S.

19 MS. ALVES: But not for Europe or China?

20 MR. LISS: We don't have specific sales knowledge  
21 about selling into Europe. Again, most of the global  
22 sourcing teams we're dealing with are focused here in North  
23 America. I mean that's a good point. I ticked through  
24 them. The ones that we focus on really only have those in  
25 mind.

1                   Those line reviews that Mr. Quick talked about  
2                   they're actually separate meetings for each of those  
3                   markets, so it's not uncommon for us to not attend those  
4                   meetings. I mean if it's for Brazil or something like that  
5                   it's not really our focus. Our focus in business is here in  
6                   the United States.

7                   MS. ALVES: The reason I ask is that there's  
8                   sometimes cases where a global sourcing team will be  
9                   awarding market share in one market for this customer and a  
10                  larger share in another market, and I just want to see what  
11                  the dynamics are here if there's really a lot of movement  
12                  around and changing market shares from one market to the  
13                  next over time.

14                  MR. ROSENTHAL: I think the important point,  
15                  though, it's global sourcing. They want to get the cheapest  
16                  possible product, but it's mainly the folks you're dealing  
17                  with are sourcing for the U.S. market as opposed to global  
18                  supplying team for other big boxes in other countries.

19                  MS. ALVES: Thank you. You mentioned several  
20                  years ago that the Chinese producers made inroads into the  
21                  U.S. market. How recently did they make inroads into the  
22                  U.S. market, and were there other non-U.S. suppliers at that  
23                  time who then left the market, or has this typically prior  
24                  to that time been a domestic market?

25                  MR. LISS: Prior to that time, it was a domestic

1 market. I've been involved in the business, as I said, for  
2 many years. It's been principally domestic. With every  
3 year an increase in pressure almost exclusively from China  
4 it was exclusively for all of these years of actually never  
5 seeing any other product from any other country, nor even a  
6 quote from another country. And it has, with every passing  
7 year, put pressure and more pressure on price.

8 MS. ALVES: Thank you.

9 MR. ROSENTHAL: I just want to add one more thing  
10 because I know when we're talking about a domestic market  
11 versus an import market one of the things that has been  
12 emphasized already, and you'll hear more about this is that  
13 because of the devastating impact that Mr. Quick referred to  
14 of losing a sale to one of these customers the strategy has  
15 been to try to avoid that by reducing price. So, the  
16 tradeoff has been maintain volume, cover your fixed cost, be  
17 able to produce as much as you can in the U.S., but at the  
18 expense of revenue.

19 So, as you're talking about import market versus  
20 domestic, it may have remained for a long time a domestic  
21 share market, although that's been declining quite rapidly,  
22 it's really been at the expense of revenues and profits to  
23 be able to maintain that. So, this is both a price and a  
24 volume case, if you will, in traditional ITC terms.

25 MS. ALVES: Thank you.

1                   MS. BECK: This is Gina Beck from GES. Just one  
2 other point that goes to your question about the timing, as  
3 you've heard, there've been imports in the second half of  
4 this year that are particularly devastating, which will not  
5 be captured in the Commission's POI through June 2014.  
6 There is a specific question in the questionnaire, and we  
7 just want to make sure that there's focus on that because  
8 it's particularly important in this case, given the timing  
9 of even how the lost sales would be confirmed or not  
10 confirmed because it's for an incoming import that hasn't  
11 yet reach within the POI.

12                   MS. ALVES: Understood. And actually, you've  
13 anticipated my final question, which is how much does  
14 seasonality play a role here. You've indicated that the  
15 Black Friday sales do form a substantial portion of the  
16 market, and that there was this sale that you referenced  
17 where you had been approached in May. Is there a lot of  
18 activity in May then, or is it customer specific? And if  
19 I'm getting too confidential here tell me.

20                   MR. LISS: Generally speaking, there are a few  
21 peak times, but they're all price driven. So, post-Black  
22 Friday we all know what prices look like after Black Friday.  
23 So, the price comes down in retail terms. The cost goes  
24 down because we're competing directly with imports on a  
25 large bid.

1           In the other peaks that you're going to see are  
2           similarly driven. One of the wholesale clubs offers a  
3           substantial discount for four months out of the twelve  
4           months of the year, and during that four months they sell 50  
5           percent of their merchandise. And it's a third of the year,  
6           but they sell half the merchandise.

7           So, that gives you some idea of some seasonality,  
8           but I also bring it up because a lot of those discounts are  
9           paid for, not just by the retailer, but by the party selling  
10          the merchandise.

11          And so, I would ask as that you being to look at  
12          the pricing that's claimed to transact between retailer and  
13          whoever is selling them you need to be very careful to make  
14          sure that those large discounts because they account for a  
15          huge discount and a huge percentage of the merchandise that  
16          we account for those discounts. We certainly have because  
17          that's part of the cost of having to do business with anyone  
18          of those retailers.

19          MR. ROSENTHAL: Mr. Liss, why don't you expand on  
20          that whole idea of the co-oping? How does that work  
21          specifically?

22          MR. LISS: In terms of just market support  
23          dollars or co-op, it goes under a lot of different names,  
24          and every retailer, every buyer could theoretically be  
25          different. But typically between a Chinese factory or a

1 U.S. factory and a retailer has a set price, whatever that  
2 price is. If it was acquired during a line review, there's  
3 a specific price.

4 Promotion or other types of programs come along,  
5 and again not -- it doesn't always have to be this way, but  
6 as a general matter of practice, the price that we agreed on  
7 doesn't usually change. It's difficult to change your  
8 systems and so forth.

9 So we issue -- the purchaser is at the regular  
10 price. So the invoice price remains the same, and then  
11 there's an agreement to payback, whether that be, you know,  
12 weekly, monthly, quarterly, even off the invoice it could  
13 come.

14 So somebody's going to run a large promotion; the  
15 money that flows back is certainly a discount to the  
16 product, and in the case of the Chinese product, there are  
17 substantial discounts that have helped drive a lot of this  
18 volume. Does that answer your question?

19 MS. CANNON: And also, when I mentioned the data  
20 reporting issues and concerns, that's one of the issues that  
21 we have, is whether the pricing being reported is capturing  
22 this discount, or is simply reporting the starting price  
23 without recognizing what happens after that.

24 MR. ROSENTHAL: I just want -- just to recount  
25 very specifically examples that were provided, without using

1 names. But for example, you have a quoted price for a  
2 customer who has four months of heavy discounting, and  
3 they'll say that's the price and now we want you to give us  
4 \$10 per unit for that four month period as a discount or  
5 rebate.

6 The expectation is that this competition there  
7 with the imports, as well as who's going to provide that  
8 promotion.

9 MR. LISS: Correct. In a specific instance, Mr.  
10 Quick, without using a specific customer name, we were  
11 asked. We had a portion of a business. We were asked to  
12 participate because the Chinese producer was offering a  
13 rebate. We went back, we looked at it. There was no way we  
14 could give that rebate. We lost the business. We did not  
15 have that business in 2013.

16 When 2013 came along, they said you want to do  
17 the rebate now? Do you believe us? So we said -- Chris and  
18 I were at the meeting, and we said okay, you know. We need  
19 -- we want to do the business. We have to fill our factory.  
20 We want to keep U.S. production, and we agreed to a  
21 substantial discount, which we can provide you with details  
22 of. I think we already have provided you with details of,  
23 and guess what? We got the business back.

24 So it's just that simple. It's just price, and  
25 again it's not just the invoice price every day. It's the

1 net invoice price of any allowances, returns. You know,  
2 anything that comes off of that invoice. It's the  
3 difference between the price that's quoted and the cash  
4 that's actually collected. Those two things are, you know.  
5 That's the actual price that's being offered.

6 MS. ALVES: Okay, thank you. That was extremely  
7 helpful. I don't have any further questions at this time.

8 MS. DEFILIPPO: Thank you, Ms. Alves. We'll now  
9 turn to Ms. Farrington for questions of this panel.

10 MS. FARRINGTON: Good morning. It's still  
11 morning. Thank you for coming. I'll kind of lead in off of  
12 that last round of questions, your concern about how these  
13 discounts were reported in the importer questionnaires. Did  
14 you account for them in yours, in your responses?

15 MR. LISS: In our responses, we netted the price,  
16 netted all programs that we have, and those programs changed  
17 over time. So we actually have them tracked by customer, by  
18 month, for a very long history. So that's how we use it.

19 MS. FARRINGTON: Okay. I'd like to ask how you  
20 came to choose the specific five pricing products for the  
21 apples to apples comparison that we do in the pricing data.

22 MR. LISS: The five items that we chose were  
23 items that are of significant volume to us. They're items  
24 that we get regular pricing pressure from, from our  
25 customers, and they are items that are readily available and

1 we obtain pricing directly from Chinese manufacturers on,  
2 and the pricing that we receive from the Chinese  
3 manufacturers is exceptionally low relative to our cost.

4 MS. FARRINGTON: All right.

5 MS. BECK: And Ms. Farrington, just to add, those  
6 particular products do not encompass all of the major  
7 products that are being offered in the market. We tried to  
8 limit to not too many and still capture as much as we could.  
9 But there are obviously other products that are being sold  
10 in the market as well, and receive the import competition.

11 MS. FARRINGTON: Thank you. As you've mentioned  
12 before, there were relatively low reported coverage of some  
13 of the imported pricing products. Do you know -- this may  
14 be an answer in the brief afterwards, if it's too PI at the  
15 moment. Do you know if certain customers or importers are  
16 importing these products that do not report?

17 MS. BECK: Yes. We believe that is the case, and  
18 particularly where an importer filled in certain parts of  
19 the questionnaire, but did not report pricing data. It's a  
20 definite concern, that it's not capturing.

21 MS. CANNON: But we can elaborate further in our  
22 brief on who we think is doing that.

23 MS. FARRINGTON: That would be great. I ask  
24 because as we just said, the pricing products are five  
25 products, and they may have reported shipments earlier, but

1 not have imported these. So that is not necessarily a red  
2 flag, but if you know of these, that would be great  
3 information.

4 MS. BECK: And I think another important place on  
5 the record for price comparisons are the lost sales and  
6 revenue allegations, because those are direct comparisons  
7 for a specific product, many of which are five products that  
8 -- for which the clearly pricing data are requested, and  
9 those are direct pricing comparisons. You can also see the  
10 customers that are purchasing those.

11 MS. FARRINGTON: Okay, thank you. I'd like to  
12 move on to lead times, and you mentioned that you have a  
13 separate facility for the import of products. Is that --  
14 does any production or packaging occur at that facility, or  
15 is it solely warehousing?

16 MR. LISS: The imported product that we have  
17 sitting in the U.S., it comes in prepackaged. There's no  
18 further operations other than shipping.

19 MS. FARRINGTON: Okay. Could you please describe  
20 the ordering and shipping process from start to finish, for  
21 a sale to say a big box store? What I'm particularly  
22 interested in is how you make the decision to produce  
23 domestically or use the imported product, how you determine  
24 the delivery schedule, and if the big box retailers  
25 generally order for the region, nationwide or go to the

1 particular warehouse.

2 MR. LISS: I'll provide details that are  
3 confidential to our company in the post-conference brief.  
4 However, I will say the small amount of imported product  
5 that we have is not typically -- if a big box retailer is  
6 going to buy imported product, they're not going to do it  
7 out of my warehouse, as we've reported, very, very small  
8 inventories of imported product.

9 A big box retailer is going to buy directly from  
10 a Chinese factory. Whether they use an agent or not,  
11 they're going to buy it from there, not out of an inventory  
12 here. So that for us, typically on the domestic side we're  
13 going to receive an order, and we're going to ship it in a  
14 matter of days, three days. Depending on the customer,  
15 between 3 and 14 days.

16 There's no decision, am I going to ship an  
17 imported product or domestic product. The product is  
18 domestic product. It is made in our facility. We have  
19 customers who are customers of imported product who might  
20 order. Sixty days later, it's going to ship out of China,  
21 and they're going to take delivery of that product.

22 So again, the imported product is very, very  
23 small, relative to the size of our overall operation. It's  
24 really inconsequential. But I can give you the details of  
25 that in our post-conference brief.

1                   MS. FARRINGTON: Okay. I think I will skip down  
2 to some raw materials. How do you purchase -- how do you  
3 typically purchase your raw materials? Are they spot market  
4 or contracts, long or short term? Do the suppliers fix the  
5 price, and where do you get that material from?

6                   MR. LISS: Sorry, thank you. For our number one  
7 material, no surprise, steel, steel -- virtually all of our  
8 steel comes within a 500-mile radius of Edsal. A portion of  
9 it is bought from mills directly. The majority of it is  
10 bought from steel distributors. Most of the steel  
11 distributors are within a 10 to 20 mile radius of our  
12 facility.

13                   Ready supply. We do not enter into long-term  
14 contracts. One to two months would be the longest, in terms  
15 of an agreement on price. Typically, though, we're making a  
16 deal to buy that commodity. They're then delivering the  
17 product over the next 30 or 60 days. So that's the first  
18 one. The second one would be decking material, whether that  
19 be wire or particle board.

20                   Both are -- come from suppliers that are within  
21 that same radius, basically within 500 to 800 miles. There  
22 are multiple suppliers, and it is typically also bought on  
23 an order by order basis. So we don't have long-term  
24 contracts on any of those things.

25                   So really as the market increases in cost on

1 those things, we incur an immediate cost on those things,  
2 which is the case in the last 12 months.

3 MS. FARRINGTON: Okay, thank you. How easy is it  
4 for your production facility to shift between product  
5 specifications of the boltless steel shelving, and I think  
6 earlier you mentioned that you don't use the same equipment  
7 for other products that you produce. So how easy is it to  
8 go between various lengths of decking and beams and vertical  
9 posts?

10 MR. LISS: Okay. You asked a few questions.  
11 Typically ^^^^ that's okay.

12 MS. FARRINGTON: Sorry.

13 MR. LISS: That's okay. Typically, the equipment  
14 -- for an example, I used to make this post. It is in no  
15 way interchangeable with this post. So the machine that's  
16 bought to make this makes this all day, all night. If we  
17 don't have a need for this, the machine's going to be idle.

18 Different machine for this. Looks the same.  
19 When you tour our facility, you see the same basic thing,  
20 coil, punched, rolled form. Different machine, for that  
21 shape. Even if you looked at our parts and components, it's  
22 actually a totally different profile.

23 So it looks like this, but has a wider flange,  
24 and again, the machinery is not shared and really isn't  
25 substitutable. So on the beams, equipment that can do this

1 can't do this.

2 So as an example, as it relates to the large \$5  
3 million loss that we've had, and in that particular  
4 customer's case, this equipment is currently sitting idle.  
5 The people who are working on this line are not working.

6 So unfortunately not substitutable, other than  
7 breaking down the equipment and selling it and buying  
8 something different for the space.

9 MS. FARRINGTON: And packaging. As we can see in  
10 the example that you brought, that's a muscle Rack, five  
11 shelves. Is that the general packaging that you would sell  
12 to each of the big box stores, or do you put separate labels  
13 on for the particular store?

14 MR. LISS: Generally speaking, each one of the  
15 retailers has their own look and feel that they want.  
16 Whether to match their decor, whether they have different  
17 icons that they like on the box. But probably most  
18 importantly for themselves, they just have specific  
19 interests that they may want on the box.

20 So that exact box, you're only going to find  
21 probably at one or maybe two retailers. If you go into a  
22 different retailer, you'll see something may look the same.  
23 It may have Muscle Rack, but it might have Edsal. They may  
24 have their brand. The brand itself isn't particularly  
25 important. It's sold, you know, as a five level or 36 by 18

1 by 72 inch unit.

2 MS. FARRINGTON: Okay. What factors influence  
3 the demand for boltless steel shelving, you know, and what  
4 types of data do you look at for demand for the industry?

5 MR. LISS: By demand, I'm assuming you mean the  
6 end user demand?

7 MS. FARRINGTON: Yes.

8 MR. LISS: End user demand is fairly predictable.  
9 It is price-driven. When the price goes down, the number of  
10 units sold goes up dramatically. So that's -- other than  
11 that, we typically look at the out the door sales every  
12 week. Every retailer reports. Most of the retailers report  
13 to us their out the door sales.

14 So we have a very good look at what that is and  
15 what it has been, and other than promotional, there are not  
16 significant trends, no significant seasonal trends.

17 MS. FARRINGTON: Are there any larger factors,  
18 such as economic macro factors?

19 MR. LISS: We have pondered that a lot. Not that  
20 we really see. Not that we really see. I would say that  
21 the existence of the promotional part of it are really what  
22 drive the business.

23 MS. FARRINGTON: Let's see if I have anything  
24 else. At the establishments, I think Ms. Cannon you  
25 mentioned that the wood shelving is on in furniture and

1 components and buildings. Are any of your other types of  
2 shelving displayed on a side by side level as your products?

3 MR. LISS: I guess there are certainly instances  
4 in which a retailer chooses to lay their store out in a  
5 certain way, where components could be placed adjacent to  
6 the shelving.

7 It could certainly happen. Every store's layout  
8 is different. Typically in most of the big boxes that have  
9 been mentioned here, they are only selling -- they're only  
10 selling packaged bolts, shelving.

11 But there are some instances. Menards, as an  
12 example, does present component programs. They're bought in  
13 the building materials department. That department's  
14 technically a different department. But it could have a  
15 close adjacency. I mean it depends on the store layout, as  
16 to whether or not that's done or not.

17 MS. FARRINGTON: Okay. I ask more in terms of  
18 substitutability, if a customer is seeing various products  
19 that work similar. Would they kind of delve over to another  
20 or not? That's where my question is going.

21 MR. LISS: Our experience is that there is  
22 virtually no substitutability. This is a convenience  
23 purchase. Everything's in the box, and you don't measure  
24 things out, and typically in those parts and components  
25 programs, in our history, when we look at the actual sales

1 of those items, it ^^^^ as an example, you might look at out  
2 the door sales.

3 Almost zero -- for a particular store, zero,  
4 zero, zero, zero, and then they sell a whole bunch, because  
5 it's a project. So the project is measured out, and it  
6 really is more of an industrial or a commercial sale, rather  
7 than something that's a packaged sale, where we see a much  
8 more consistent kind of weekly demand for this type of  
9 product.

10 MS. FARRINGTON: Okay.

11 MR. LISS: And the two don't typically  
12 interconnect. Different colors and different features and  
13 functions.

14 MS. FARRINGTON: Okay. Thank you very much. I  
15 believe that's the end of my --

16 MR. ROSENTHAL: Ms. Farrington, may I just pick  
17 up on one of the questions you asked at the outset, which  
18 also related to a question by Ms. Messer that I'm not sure  
19 we answered fully, and that had to do with the import  
20 program, if you will, and how it is handled, etcetera.

21 I think one of the questions Ms. Messer asked  
22 unfortunately is are your own imports causing injury? I  
23 think you hinted at that, and I wanted just to provide some  
24 context for you. This is by far not the first case that the  
25 Commission has seen, where a domestic producer also imports.

1 I can remember them going back 30 years now.

2 In this instance, the importation is being used  
3 as a defensive means to prevent worse injury from occurring.  
4 By offering an import alternative at a low price, it  
5 essentially allows Edsal to continue to supply their valued  
6 customers, who may not accept a higher domestically produced  
7 price but maintain this relationship, and also provide some  
8 revenue to Edsal that would have been lost had the competing  
9 import gotten business.

10 Again, it's not a new phenomenon, and would the  
11 domestic production be better if there weren't any importing  
12 from Edsal or anyone else? Absolutely. But it is not a  
13 self-inflicted wound. It's a defensive measure to prevent  
14 things from being worse than they otherwise would be.

15 I want to be very clear about the strategy  
16 employed by Edsal, which has been a well-recognized strategy  
17 that the Commission has acknowledged in previous cases.

18 MS. FARRINGTON: Thank you.

19 MS. DeFILIPPO: Thank you, Ms. Farrington, and  
20 I'll now look to Mr. Jee. Do you have any?

21 MR. JEE: I have no questions.

22 MS. DeFILIPPO: Thank you, Mr. Jee. I'll go  
23 around the table to Mr. Fravel and see if he has any  
24 questions for this group.

25 MR. FRAVEL: Yes, thank you. I have two quick

1 questions or maybe three. The first one is I notice on your  
2 package over there that there's the Z beam and it's  
3 trademarked. So does that mean that the Chinese would not  
4 be producing -- Chinese producer, other than your own in  
5 China, not produce a similar type of profile on the beam, or  
6 you showed us several types of bema configurations and are  
7 those common between all manufacturers, or is it a marginal  
8 selling point and price is the main selling point?

9 MR. LISS: Thank you for the question. First  
10 yes. It is a very, very marginal selling point. The bottom  
11 line is they want the right price, the right cost on the  
12 unit that holds 500 to 800 pounds. To address your specific  
13 question, we do have a trademark on the name, the name "Z  
14 beam." So every -- virtually every Chinese manufacturer  
15 makes a beam that looks like this. As long as they don't  
16 call it Z beam, they're in their minds okay.

17 I will point out that we do have some  
18 intellectual property that is routinely violated. We've  
19 spent a lot of money chasing these things, and in most cases  
20 it's fruitless. So you know, within China, as an example, I  
21 know we do have a utility patent on this beam. But there  
22 are a number of ways that folks over in China have  
23 engineered around this beam, or simply they just copy it and  
24 don't care, and ask us to go chase them.

25 But at the end of the day, whether it's this beam

1 or this beam, yes we would go in and say hey, this beam  
2 might be better than this one. At the end of the day, it's  
3 a shelving unit. It holds 500 to 800 pounds, maybe 1,000  
4 pounds on a shelf and it's all about the price of the unit  
5 itself.

6 MR. FRAVEL: And that includes the perception of  
7 the purchaser, the big box retailer, when they purchase  
8 through from you?

9 MR. LISS: Generally or specifically, if we went  
10 through the entire list of purchasers, I don't think you  
11 will find out that at the end of the day really cares what  
12 the beam profile looks like. They care about the price.

13 MR. FRAVEL: The second question is when did you  
14 start -- could you tell us, I guess, either now or in a  
15 brief, when you began production and then also importing  
16 from China?

17 MR. LISS: Yeah. Again, that's company  
18 confidential for us, but we'll provide you the details of  
19 that in the post-conference brief.

20 MR. FRAVEL: Okay, and another request was in  
21 your opening statement, you made the comment that there are  
22 ten common sizes. Could you also submit those ten common  
23 sizes, so we can see how they work with the pricing  
24 categories?

25 MR. LISS: Certainly, certainly.

1                   MR. FRAVEL:    And it would be also interesting  
2                   just to see what's out there in terms of the product.

3                   MR. LISS:    Yes certainly, and I want to clarify.  
4                   I said about ten.   So you know, it could be plus or minus a  
5                   few.

6                   MR. FRAVEL:    Okay.

7                   MR. LISS:    And when I say "common," I mean those  
8                   of them that makes up the majority of the volume.

9                   MR. FRAVEL:    Okay.   That would be helpful.   And  
10                  then lastly, I was walking through Home Depot the other day  
11                  and -- after the case started.   But on a different matter.  
12                  I wasn't there researching this.   But I said honey, to my  
13                  wife, I've got to go see this.   You want to see what I'm  
14                  looking at?   So I noticed that there was a Husky brand, 77  
15                  inch.   So they're in a box.

16                  MR. LISS:    Yep, uh-huh.

17                  MR. FRAVEL:    And then your brand was displayed  
18                  above it, but yours wasn't, I don't think, the 77 inch.   Who  
19                  makes the Husky brand?

20                  MR. LISS:    We do, we do.

21                  MR. FRAVEL:    Okay, because that said made in the  
22                  United States.   I was just curious.

23                  MR. LISS:    It is, it is.   If you went to two  
24                  years ago, it would have had our brand.   It's just a  
25                  customer decision to brand certain things, so that they can

1 market them together, with no real, again, relation to a  
2 brand.

3 MR. FRAVEL: Does the Husky brand have different  
4 features than your brand?

5 MR. LISS: It doesn't.

6 MR. FRAVEL: Like coating or size or whatever?

7 MR. LISS: It's the identical product, just  
8 simply in a different box that we were selling before.

9 MR. FRAVEL: Okay, thank you. I have no further  
10 questions.

11 MS. DeFILIPPO: Thank you, Mr. Fravel. Mr.  
12 Navarro, any questions for this panel?

13 MR. NAVARRO: No questions at this time.

14 MS. DeFILIPPO: Thank you. I'll look to my right  
15 to our Supervisory Investigator, Ms. Haines.

16 MS. HAINES: No questions.

17 MS. DeFILIPPO: All right. I'll look at my  
18 scratch handwriting. I have questions. I try to cross them  
19 off as we go through, because staff always does a good job  
20 of asking questions. So I apologize in advance if I touch  
21 on something that was asked and answered. I only have a  
22 couple of follow-up questions regardless.

23 MS. DeFILIPPO: Warranties. Are there any  
24 warranties on the product both for your product and/or for  
25 the Chinese product?

1                   MR. LISS: As a practical matter, the retailers  
2 typically tell you what warranty you should minimally offer.

3                   MS. DeFILIPPO: Okay.

4                   MR. LISS: And that minimum warranty spans from a  
5 year to what you saw in the Husky Limited Lifetime. And  
6 then, again, as a practical matter we stand behind the  
7 product. So if you call us and you say something went wrong  
8 five years and one day later, we still take care of you.

9                   MS. DeFILIPPO: Okay. Going back for a minute to  
10 the conversation on the sale that you did not get for this  
11 coming Black Friday --

12                   MR. LISS: Uh-huh.

13                   MS. DeFILIPPO: -- and I'll preface this by  
14 saying, certainly if the response is confidential, please  
15 feel free to reply in your brief. And I think I know the  
16 answer based on something else you said when we were talking  
17 about supplying a big box, and I think you said if a big box  
18 was going to buy imported product, they would go directly to  
19 China. For that Black Friday sale that you did not get --  
20 excuse me -- for the \$5 million transaction, was that  
21 domestic product only that you offered to sell, or did you  
22 also try to get that sale with your imports of Chinese.  
23 And, again, feel free to put that in a brief if that's --

24                   MR. LISS: Yeah, I think I'm going to request  
25 that we put that in a brief.

1 MS. DeFILIPPO: Yeah, I thought so.

2 (Pause.)

3 MS. DeFILIPPO: This is just a quick  
4 clarification in talking about the coop selling. When you  
5 agree on prices with a customer, I think I understood it to  
6 be that at that point you don't know or do you know, for the  
7 coming year, when promotions might occur and how that might  
8 affect the ultimate selling price?

9 MR. LISS: Sometimes we know and sometimes we  
10 don't is the answer. Retailers/buyers are notorious for one  
11 overstating the volumes that they're actually going to do,  
12 and two telling you, nope, this is it. There's no program  
13 that's totally net only to ask you three weeks after you've  
14 given them a price, hey, would you mind helping me out on  
15 this or that? So frequently the programs are known in  
16 advance. That doesn't mean that that's the programs that  
17 are going to be in force. In the example that I gave you in  
18 which we had the business, in 2012 we were asked to  
19 participate in a promotion for 2013. We did not -- we were  
20 not told, when we gave the price in 2012, what that  
21 promotion was going to be or even that there would be a  
22 promotion. When we were asked to participate we declined to  
23 participate to the level that China was participating and we  
24 lost the business. We lost the business and we knew we lost  
25 the business. And then when that opportunity came back a

1 year later, we didn't know exactly, but they led us to what  
2 would be -- what the Chinese producer was offering in order  
3 for us to get that --

4 MS. DeFILIPPO: So at that point when they were  
5 saying, hey, we want to run this promotion, you're saying  
6 you lost that business. So when you would say, hey, we  
7 can't do that with, you know, we just can't meet that  
8 promotional price, they then can turn and buy from someone  
9 else at that point?

10 MR. LISS: Yes. They --

11 MS. DeFILIPPO: Okay.

12 MR. LISS: -- they did.

13 MS. DeFILIPPO: Okay. Let's check. I think  
14 those were the only follow up questions I had. I'm going to  
15 look left and right to see if anyone has any additional  
16 questions before I release you.

17 (Pause.)

18 MS. DeFILIPPO: All right. Actually, one last  
19 thing. It goes back to a comment that Mr. Herlach made in  
20 the opening statement. And I believe he indicated that  
21 there was a decrease in the overall market. And I thought  
22 that you all said something different with regard to your  
23 characterization. So, perhaps after hearing the second  
24 panel's thing, if there are any additional comments, put  
25 those into your brief. But I thought you had said you felt

1       it was stead or increasing?

2                   MR. LISS: I'd be very interested in the data  
3       that shows that it's a declining market.

4                   MS. DeFILIPPO: Okay. Thank you very much. With  
5       that I will thank you again for both your direct testimony  
6       and for answering questions. It's been very helpful in our  
7       understanding of the product.

8                   We will take a ten-minute break for everyone to  
9       stretch their legs and we'll come back at 11:40 for the  
10      second panel.

11                   Thank you.

12                   (Brief recess taken.)

13                   MS. DeFILIPPO: Welcome back.

14                   MR. WHALEN: Thank you, Ms. DeFilippo and members  
15      of the staff of the Commission. My name is Ken Whalen and I  
16      began Whalen Furniture back in 1991. At that time Whalen  
17      Furniture was a manufacturer of wood furniture. We  
18      manufactured in Mexico and we manufactured in the United  
19      States. The products at that time were antique reproduction  
20      roll-top desks, file cabinets, and wood bookcases.

21                   When we began the business we primarily sold to  
22      furniture retail type customers, but over the years we  
23      gradually added all of the big-box retailers. We began with  
24      Costco, we then added Sam's and Wal-Mart and Target, Best  
25      Buy, Staples, Lowes and Home Depot and our focus over time

1 began selling products to the big-box retailers.

2 As I mentioned, the products that we sold in the  
3 beginning were furniture and over the '90s that business  
4 grew nicely. But shifted in terms of the source. The  
5 source moved from the U.S. and Mexico to Asia by the end of  
6 the 1990's and we set up an operation in China in order to  
7 facilitate that importing.

8 Over the next few years the importing gradually  
9 moved to Vietnam, Malaysia, Taiwan, and then ultimately came  
10 back to Mexico where we do a lot of business now.

11 In about 2004, I met Steve Painter. And Steve  
12 Painter was the president and CEO of a company called Rapid  
13 Rack Industries. Rapid Rack Industries was manufacturing  
14 boltless shelving and industrial tracks at that time. And  
15 Steve, with his knowledge of industrial product and  
16 shelving, and myself, with my understanding of the big-box  
17 retailers and importing, decided to formulate a business  
18 strategy. So in 2004 we came up with the concept of Whalen  
19 Storage to sell storage product primarily boltless shelving  
20 into the big-box retail channel. So about two years later  
21 we made our first entre into Costco. We managed to  
22 introduce a five-shelf shelving unit and we displaced Rapid  
23 Rack Industries at that time. It's important to note that  
24 Edsal didn't have that business, nor did they ever have that  
25 business that I'm aware of. It was business that we gained

1 from Rapid Rack.

2 Two years later we introduced another product  
3 that we call today the industrial rack. The product at that  
4 time didn't exist within Costco. It was a new concept for  
5 us and a new concept for Costco. The retailer tested the  
6 product on a number of location floors, the product sold  
7 well. So they committed to buying for the entire chain.  
8 And since then we've added Costco Canada, Costco Australia,  
9 Costco UK, Costco Japan, Costco Taiwan, and we've been  
10 successful at selling both of those items to all of the  
11 Costco regions of the world, except for one.

12 We were surprised to hear about this petition by  
13 Edsal and we were surprised because, Edsal from our  
14 perspective is a very successful company. As we talked  
15 about earlier, we see five major opportunities in the United  
16 States, five major retailers that sell this product. Those  
17 retailers, as mentioned earlier are Sam's Club, Menards,  
18 Lowes, Home Depot and Costco. And at this point in time, we  
19 have been fortunate, we have maintained the business at  
20 Costco for a number of years, and until recently we had all  
21 of the regions within Costco. And within the last two years  
22 Edsal has managed to gain one of those regions within  
23 Costco.

24 The other four locations that -- or the other  
25 four retailers that we have tried desperately to get over

1 the last seven or eight years, we have been unsuccessful in  
2 gaining because those positions have been maintained by  
3 Edsal.

4 Edsal has consistently dominated these four  
5 retailers and it's been based on price. We've had a number  
6 of attempts in order to gain these retailers and these  
7 attempts have been unsuccessful. And I'll go through each  
8 one of those attempts one by one so you can really  
9 understand sort of the landscape of the retail environment.

10 So the first one is Sam's Club. When we  
11 formulated the strategy Steve and I looked at where our  
12 opportunities were. And we had been selling Sam's Club  
13 since the mid-1990s, almost ten years at this time. We had  
14 a very successful relationship. We had everything from  
15 bookcases to room dividers, to bunk beds, TV stands, pretty  
16 much the entire furniture category was sold to Sam's Club by  
17 Whalen at the time. We thought we had a good opportunity to  
18 approach the buyer and let them know that now we'd entered a  
19 new category. That we were a good vendor, that we shipped  
20 on time, we had a good quality, we had good pricing and we  
21 thought that we would be able to gain that business.

22 That business was maintained at the time by Rapid  
23 Rack. Over time Edsal has slowly taken each one of the  
24 items at Sam's Club and currently maintains 100 percent of  
25 the boltless steel shelving business at Sam's Club and

1 Whalen maintains none of that business. And it's not for  
2 lack of attempts.

3 I think it's important to note sort of the  
4 culture of Whalen. From 2000 to 2012 Whalen grew over 1,000  
5 percent. And remember that was during the Lehman Crisis,  
6 that was during a very difficult time at retail, especially  
7 in the furniture industry. So we did this by gaining share.  
8 We were very aggressive, we went after business and we were  
9 generally pretty successful at gaining business. But we  
10 were unable to be successful at Sam's Club where Edsal was  
11 successful, and, again, currently maintains 100 percent of  
12 that business.

13 Home Depot, about 2011, we had been presenting  
14 product to Home Depot. We were developing sketches, showing  
15 samples, presenting pricing, and making a very strong run at  
16 Home Depot. Edsal had all of the business at the time. We  
17 managed to gain 50 stores at Home Depot. And they were all  
18 local, Southern California stores. We brought in the  
19 product. We shipped it to Home Depot. The product looked  
20 great on the floor. The POP was strong. The sales, in our  
21 opinion, was good, and we held that business for two years.

22 After two years we got a phone call and the phone  
23 call was from the buyer. And the buyer told us that we were  
24 no longer going to have those 50 locations. They were going  
25 to give them back to Edsal. We asked why are we losing the

1 50 locations? We're shipping on time, the quality is good,  
2 every thing seems to be selling well. They said, Edsal's  
3 prices are lower than yours. If you can't lower your  
4 prices, you will not be able to maintain that business. We  
5 looked closely at the costing, we looked at all of the areas  
6 that we could cut and there was just no way to do it. We  
7 had to forfeit those 50 stores, and those are currently  
8 maintained by Edsal along with the balance of the chain.

9           Lowe's. We began selling Lowe's in 2010. We  
10 sold them a wood closet program. So if think about Whalen's  
11 storage, the objective was to sell anything that was  
12 storage-related in the home. So we were fortunate enough to  
13 develop a line of wood closets and market them to Lowe's and  
14 we currently have a great business with them. The same  
15 merchandise management that oversees the closet business  
16 oversees the purchase of the shelving. Because of that  
17 relationship we had the opportunity to present product.

18           Between 2010 and 2014, we made a number of  
19 attempts to present product and sell it to Lowe's. Every  
20 time we've gotten to the final line review and at that point  
21 in time we've lost the business or not gained the business  
22 because we were told our pricing was not low enough. So  
23 after a number of attempts of trying to gain that business,  
24 we were unable to do so.

25           The final of the five customers is Menards. We

1       were successful at gaining one position at Menards. I don't  
2       know how many shelving units they have. I'm going to guess  
3       it's between seven and eight at Menards. We were very  
4       excited when we were told that we won one of those units.  
5       We began shipping it. We shipped it for approximately a  
6       year, and after a year we noticed that we weren't receiving  
7       orders anymore. We called the buyer and said we've noticed  
8       that we don't have any orders for this product and the buyer  
9       proceeded to tell us that we had lost that business, they  
10      had given it back to Edsal and they had given it to them  
11      because our prices were not as low as the prices from Edsal.

12                So if you think about this from our perspective,  
13      after receiving the petition and listening to some of the  
14      comments today, we're puzzled. We're very confused, we  
15      don't really understand how in an environment where there's  
16      five major retailers to buy this product Edsal currently  
17      enjoys the business at four of those retailers and we have  
18      the business at one.

19                And as I mentioned before, and I'm going to  
20      clarify this again, they have the business at four and a  
21      portion of the five retailers because they do maintain one  
22      of the distribution centers at Costco and that was recently  
23      gained in the last two years. So their share of growth has  
24      continued to rise and our share had diminished over time.  
25      And if you look at the marketplace, it's a very simple

1 market. Really it's just us and Edsal that share these five  
2 customers. And if there's an affirmative ruling in this  
3 hearing, they will ultimately end up with all five of those  
4 retailers.

5 (Pause.)

6 MR. WHALEN: Some of the comments that were  
7 raised today. Chinese suppliers have a lot of capacity.  
8 When we began this business, we used three suppliers of this  
9 product. Over time we added and subtracted three other  
10 suppliers of this product. Today, out of the total six  
11 suppliers that we've utilized, only two remain as suppliers.  
12 The other four have voluntarily left the business. And they  
13 voluntarily left the business because they've told us that  
14 they can't make money doing it. And so we've had to narrow  
15 our supply base from a total of six opportunities to two  
16 factories that we currently use today.

17 If we think about the capacity of those four  
18 factories that we no longer work with, it doesn't exist.  
19 They've let the people go, they've changed the machines over  
20 to manufacture other types of product, and they are not  
21 longer available as suppliers in this particular category.

22 Now, that's not to say that any factory can start  
23 up at any time or any existing factory can add capacity, but  
24 existing capacity that's ready to turn on right now in our  
25 experience is incredibly limited. We have a large staff of

1 people in Asia that are constantly looking for factories to  
2 use and we pound on doors all the time. We're not able to  
3 find people to manufacture our product. As I mentioned  
4 we're using two and we have no excess capacity within those  
5 two factories.

6 We talked about line reviews in China. Line  
7 reviews in China are not necessarily the case with all of  
8 the retailers. The primary retailer that I believe is being  
9 discussed today is Sam's Club. Sam's Club does use an agent  
10 in China in order to assist Sam's Club in purchasing  
11 product. And as Mr. Liss mentioned, they are very focused  
12 on buying product from China because they are the global  
13 sourcing team.

14 What you must understand is that the buyers have  
15 options. The buyers can utilize their global sourcing team  
16 in order to buy in China, or they can buy direct from a U.S.  
17 manufacturer or a manufacturer from anywhere else in the  
18 world that they choose. The other thing that's interesting  
19 to note is Sam's Club is obviously part of Wal-Mart.  
20 Wal-Mart has an initiative right now, it's a very publicized  
21 initiative to build -- to purchase \$250 billion of  
22 domestically made product over the next ten years. That's  
23 something that we hear about in every vendor summit, we  
24 hear about in many of our buyer meetings, and we're asked  
25 over and over, what can you do to onshore product and bring

1       it back to the U.S. because that is our initiative.

2                       So there are different agendas within Sam's Club.  
3       One is the global sourcing team, because that's their focus,  
4       but if you look at a much higher level and you consider  
5       where the senior management is focused, they are very much  
6       focused on building business in America and growing that  
7       business.

8                       We talked about the Black Friday item. The Black  
9       Friday item that was lost is, as mentioned, a \$5 million  
10      SKU; \$5 million by any calculation is a lot of money. But  
11      \$5 million in the scope of the size of the boltless shelving  
12      business is not -- I won't say it's not meaningful, but it's  
13      not huge. My guess without knowing the total numbers,  
14      because you have a group of privately held companies, is  
15      that probably represents between 1 and 2 percent of the  
16      total sales of boltless shelving. So while nobody wants to  
17      lose business, it's not a large part of the shelving  
18      business in the United States.

19                      The competition in my opinion for this business  
20      really is Whalen and Edsal. And most of the other players  
21      that were talked about today are very small, relatively  
22      speaking.

23                      The other thing that was talked about is other  
24      channels. Yes, there are other channels. From our  
25      perspective those channels are small. The dot com, for

1 instance, it's interesting to note. Our largest selling  
2 item at Costco of the two weighs 186 pounds. And when we've  
3 tried to calculate the freight to drop ship that item to a  
4 customer's home the freight is more than two times the cost  
5 of the item, making the total sale price three times the  
6 price of the item that you can go into Costco and buy it.

7 So, dot com is definitely a growing part of the  
8 marketplace, it's very meaningful in garments and other  
9 categories. It's yet to be a very large category within  
10 boltless shelving.

11 We talked about a utility patent on the beam.  
12 Edsal does in fact have a utility patent and Whalen pays a  
13 licensing fee to utilize that utility patent in the  
14 manufacture of our product that we sell to Costco. So,  
15 again, we struggle on how Edsal is being injured by this  
16 process.

17 In our opinion -- so the other discussion that  
18 came about was, is this industry growing or is it declining.  
19 We have a limited perspective. If you remember, we are only  
20 selling one of the five major customers. But what we've  
21 seen in this one customer is as mentioned by Mr. Liss, these  
22 promotions have become part of the way that this product is  
23 sold. This began about three years ago and, as mentioned  
24 they -- during four months of the year offer a discount on  
25 the product. Well, that discount has pulled sales forward

1       into the marketplace and what we're currently seeing is  
2       these promotions that now occur every six months are  
3       producing less sales than they did a year ago, two years  
4       ago, and three years ago. So the overall business that  
5       we're experiencing within our customer is slightly  
6       declining. So there seems to be a variance that could be  
7       just our perspective is only one customer and they have a  
8       much broader perspective as they're selling all five of the  
9       major customers.

10               So, it's our opinion that Edsal is a strong  
11       company. They do have a great reputation. They do build a  
12       quality product, and they own four plus of the five  
13       available large opportunities in the United States. This to  
14       us is an attempt to remove Whalen from the fifth remaining  
15       customer and gain the entire market share of boltless steel  
16       shelving in the large retailers in the United States. And  
17       that is my opinion.

18               But in addition to my opinion, I want to mention  
19       that in researching this petition, we found an interview.  
20       And the interview was in Today's Machining World, and the  
21       Interview was published on April 15th, 2011. And Mitch Liss  
22       gave this interview and talked about the business and talked  
23       about Costco. And there's two or three quotes that I would  
24       like to mention that align with what we're saying and I  
25       think you'll find it interesting.

1                   So one of them is, "I sent a letter to the head  
2 of Costco. I didn't know who to aim so I aimed high, right  
3 to the CEO and Chairman. I laid it out like I'm telling  
4 you. Your members are paying too much. How would you like  
5 to get a lower cost for the exact same product and lower  
6 your prices for your members? Then I went on to show how  
7 Home Depot has actually been priced better than Costco."

8                   It's pretty clear that the statement that's being  
9 made is the price from Edsal out of their factory is lower  
10 than what Whalen offers from Asia. And I think it's  
11 interesting to note that it's visible in the marketplace.  
12 If you go into any Costco in the United States, other than  
13 the area right around Chicago, you'll find Whalen product.  
14 You'll find the retail between 154.99 and 169.99 depending  
15 on the location. If you walk into a location that carries  
16 the Edsal product, you will see the same or similar product,  
17 I should say, at 149.99. So, their product at Costco is  
18 being offered at retail lower than our product.

19                   So as I sit here and think about it, I question  
20 if you're being injured and you're not able to compete, why  
21 are you selling a product at a lower retail than we are?  
22 Why not sell it at least the same price?

23                   Another comment on this interview is, "I called  
24 on Costco for eight years and have gotten nothing but a  
25 blank stare. I happen to be a Costco member, and a really

1 loyal one at that. Don't ask me why, it kills me every time  
2 I walk in there."

3 So, again, I question if they're truly being  
4 injured, if there really is a price discrepancy between U.S.  
5 manufactured product out of Chicago and product being  
6 imported from Asia when we are unable to compete with them,  
7 we are unable to gain business in those four customers that  
8 they've been dominating and controlling, and I really have a  
9 hard time understanding how they are being injured.

10 That's it. I'm open for questions.

11 MS. DeFILIPPO: Thank you, Mr. Whalen. Thank you  
12 very much for coming today to be with us and provide  
13 information for us. It is very helpful and I know it is, as  
14 I mentioned earlier today, hard to get away from the office.  
15 But we do appreciate it. It provides the Commission with a  
16 good complete record.

17 I will turn first to Ms. Messer for questions.

18 MS. MESSER: Thank you. I appreciate you coming  
19 and giving testimony today. I'd like to go to your  
20 testimony about you currently have two factories in China?

21 MR. WHALEN: That manufacture boltless steel  
22 shelving; correct.

23 MS. MESSER: Can you explain your relationship  
24 with these? Do you have some type of contractual  
25 relationship or financial relationship or are they just

1 suppliers?

2 MR. WHALEN: So they are suppliers. The way that  
3 the business works for us in China is we will bring a design  
4 to a manufacturer and we'll provide certain services, like  
5 quality control, logistics, product testing, and assist in  
6 the manufacturing process. We'll generally teach them how  
7 to make the item and then they will in turn sell us the  
8 product.

9 We do have a very short-form contract with them  
10 where we ask them not to share our secrets or information.  
11 And in some cases we ask them not to sell the same customers  
12 the same product.

13 MS. MESSER: Do these two companies sell a like  
14 product to other customers, a similar --

15 MR. WHALEN: They're not supposed to.

16 MS. MESSER: Okay. And these other four  
17 factories that you say don't -- you used to have, that they  
18 don't produce any longer, when did they stop?

19 MR. WHALEN: Well, this is over a seven-year  
20 span. And, you know, it was always our objective to have  
21 multiple factories so that if we lost a factory we would  
22 still maintain the capacity that we needed. We were never  
23 able to keep enough factories and we were constantly  
24 enticing the factories to stay with us by offering them more  
25 money. But over time, there was no way to offer more money

1 and still stay in business, so factories opted to  
2 discontinue doing business with us and go into other product  
3 categories.

4 MS. MESSER: And can you give me a timeframe?

5 MR. WHALEN: From 2007 to current.

6 MS. MESSER: Okay. And how quickly do you -- you  
7 said they switched to producing something else. How quickly  
8 would it -- how quick would they be able to switch back?

9 MR. WHALEN: In each case it's different.

10 Depends if they kept the machinery or if they got into a  
11 completely different category where they no longer kept the  
12 machinery, or they sold off the old machinery and bought new  
13 machinery. But in most cases that I can think of, they  
14 never reentered the business for another customer.

15 MS. MESSER: Okay. And there's no ownership  
16 between you and these suppliers?

17 MR. WHALEN: No ownership.

18 MS. MESSER: In preparation for today, I quickly  
19 this morning went onto Ali Baba to find out -- I just typed  
20 in Whalen and shelves and I came up with ten suppliers in  
21 China that are offering your product for sale. Are these  
22 companies that are procuring your product from another  
23 source? Or --

24 MR. WHALEN: I honestly don't know what they are,  
25 but my suspicion is it's factories that we either did or

1 didn't work with in the past that are using our name for  
2 keyword search trying to do business.

3 MS. MESSER: Okay. All right. And the items  
4 that you passed out -- somebody passed out pictures.

5 MR. WHALEN: I passed those out.

6 MS. MESSER: Which are very similar to some of  
7 the pictures that I found that are identified as Whalen  
8 product. And they appear to be the welded type.

9 MR. WHALEN: Uh-huh.

10 MS. MESSER: Do you also import this type that is  
11 on exhibit here that --

12 (Simultaneous conversation.)

13 MR. WHALEN: So if you look at the two pictures  
14 in front of you, there's one that's titled shelving, and  
15 there's one that's titled industrial racks. So the upper  
16 left-hand picture of the one that's entitled shelving,  
17 that's the item that we currently sell to Costco and we  
18 would call that our five-shelf rack. And then the other  
19 page that says industrial rack at the top, that's the second  
20 item that we sell to Costco that we share with Edsal.

21 MS. MESSER: Okay. I think this question may go  
22 to you, Mr. Herlach. And it's like-product question. If  
23 you could provide us with some thoughts about what you  
24 consider the domestic like-product to be.

25 MR. HERLACH: I mean, we don't have any quarrel

1 with the definition of domestic like-product. I mean, Mr.  
2 Whalen can certainly speak to this, but our view is that the  
3 products are competitive and as he indicated the reality is  
4 that you have before you the two major competitors and they  
5 make competitive products.

6 MR. WHALEN: Yeah, that's accurate. The shelving  
7 that way we think about it, it's higher capacity shelving,  
8 so most of the items that we manufacture and that Edsal  
9 showed here today hold a significant amount of weight on  
10 each shelf. And that's sort of a category within boltless  
11 shelving. That's the only category that we participate in.  
12 There are some other lower-capacity shelves that you might  
13 find at Wal-Mart or a mass-type retailer. That's not the  
14 business that we participant in, nor do I think that's the  
15 issue that Edsal is focused on.

16 MS. MESSER: Can you give us an idea of how large  
17 the Chinese market is -- the Chinese industry -- I'm sorry  
18 -- is? The Petitioners have identified 20 plus producers in  
19 China. All but one of them, or all but one of the ones that  
20 were associated with your name in the Ali Baba search, were  
21 not on that list. That's an additional 10 producers --

22 (Simultaneous conversation.)

23 MR. WHALEN: So one thing to think about on the  
24 Ali Baba list is a lot of -- there's -- I don't want to get  
25 off subject too much, but there's something called T-Mall in

1 China now that's part of the Ali Baba where small  
2 entrepreneurs try to sell product in China, and it's very  
3 small volume and that's probably what you're seeing there,  
4 is entrepreneurs attempting to sell small quantities of  
5 shelving in the China market.

6 As it relates to your question, the business is  
7 primarily Edsal purchasing from their factory and us  
8 purchasing from our two factories. I don't know the number  
9 because I can't speak to how big the balance of the market  
10 is, but if you ask my opinion, that could be 70, 80 percent  
11 of the market and the balance is a very fragmented business  
12 with a lot of small retailers and small distributors. I  
13 truly believe that the key volume that's coming out of Asia  
14 is either Whalen or Edsal at this point in time. And that's  
15 prior to the Black Friday discussion that came up today  
16 because that's new this year.

17 MS. MESSER: Okay. So you're talking about  
18 exports. And let me see if I can focus on the Chinese  
19 producers because that could be different.

20 MR. WHALEN: Uh-huh.

21 MS. MESSER: How large is the Chinese production?  
22 I mean, we're talking -- even those who supply the Chinese  
23 market, I would like to know how large the Chinese industry  
24 is?

25 MR. WHALEN: And if you're talking about boltless

1 steel shelving that's packaged, I don't think it's a whole  
2 lot bigger than what Edsal and Whalen are exporting to the  
3 U.S.

4 MS. MESSER: Okay. Thank you. Mr. Herlach,  
5 would you take a look at the APO release and look at our  
6 responses for the Chinese and give us a post-conference  
7 submission, an educated guess as to how much coverage we  
8 have?

9 MR. HERLACH: Sure. We'll do our best. I mean,  
10 obviously there's limits to what we can do as well. But we  
11 will take a look at it.

12 MS. MESSER: And if your suppliers haven't  
13 answered our questionnaire, I don't know who they are, would  
14 you please encourage them to participate? That would be  
15 really helpful.

16 MR. WHALEN: Absolutely.

17 MS. MESSER: Thank you. And I want to give you  
18 the same opportunity I gave the domestic producer to comment  
19 on our coverage as far as the importer questionnaires. I  
20 understand your position that Whalen accounts for --

21 MR. HERLACH: Yeah, we don't obviously have much  
22 of a statistical perch from which to offer the staff, I  
23 think, anything very definitive. I think as Mr. Whalen has  
24 said, and as you know, he's been in this market for a long  
25 time and has every commercial interest in understanding the

1 market. You've heard his perception of coverage. We will  
2 certainly look at it. We will talk amongst ourselves, and  
3 we'll see if there's something additional that we can  
4 provide in the way of guidance in the brief. So we'll do  
5 our best. But, you know, I think there are some statistical  
6 challenges here and we all recognize that.

7 MS. MESSER: Okay. Thank you.

8 MS. MESSER: And I see, I misunderstood.

9 MR. HERLACH: Just to clarify we suggested on the  
10 question that we were hearing this morning testimony. We  
11 thought we were definitely prepared just in case you would  
12 dismiss the staff and answering questions and counsel for  
13 Petitioners had no objections to that so we thought he's  
14 here if we need him and that was the reason that we thought  
15 we'd add him.

16 MS. MESSER: And what is since you have some  
17 knowledge, past knowledge of Rapid Rack at least, what is  
18 Rapid Rack's position in the market are they an importer  
19 from China?

20 MR. PAINTER: They were an importer from China.  
21 When I was employed by Rapid Rack we had all the business  
22 at Sam's Club and at Costco in the boltless steel shelving  
23 similar to what you see over there. Prior to leaving Rapid  
24 Rack we, I had started an initiative to look to Chinese  
25 manufacturers and begin using them as a source to import to

1 Sam's Club and to Costco and when I left I left in August of  
2 2004 and shortly thereafter they began importing products  
3 from both, from China, for both Sam's Club and for Costco.

4 Subsequent to that, Whalen as Ken told you in  
5 2006 we secured the shelving, the boltless steel shelving  
6 like that at Costco. So we took that business from Rapid  
7 Rack. They were importing and we were importing so it was  
8 more of a relationship maybe. And then subsequent to that I  
9 mean in the last year or two, Rapid Rack they were in  
10 financial difficulties for a long time and ran into  
11 financial difficulties, didn't pay their subcontractor in  
12 China and they stopped shipping to Sam's Club.

13 MS. MESSER: You said about a year? Two years  
14 ago?

15 MR. PAINTER: I'm going to say about a year and  
16 a half or so, maybe two years and so when that occurred,  
17 Edsal was already shipping Sam's Club, Mexico so they were  
18 able at that time to be the obvious go-to for a replacement  
19 for the U.S. business and then at that time they secured the  
20 Sam's Club.

21 MS. MESSER: So the time period that we are  
22 looking at collecting data is beginning of 2011 was Rapid  
23 Rack importing in 2011?

24 MR. PAINTER: Yes they were.

25 MS. MESSER: Okay but at some point in 2012 they

1 --

2 MR. PAINTER: Between yeah '11 and '13 I'm not  
3 exactly sure of the dates.

4 MS. MESSER: Okay and does the company cease to  
5 exist, or is it still?

6 MR. PAINTER: No they fundamentally exited  
7 consumer products from what I could see in the marketplace.

8 MS. MESSER: Okay.

9 MR. PAINTER: And focused on more the material  
10 handling side which we have discussed and Mitch discussed  
11 components to industrial material, handling distributors and  
12 then use that to configure you know warehouse or back room  
13 for their customers.

14 MS. MESSER: I see.

15 MR. PAINTER: And my understanding is that is  
16 fundamentally the business that they are in today.

17 MS. MESSER: Okay thank you. I have no further  
18 questions.

19 MS. DEFILIPPO: Thank you Ms. Messer. I will  
20 now turn to Miss Alves for questions.

21 MS. ALVES: Thank you. Good afternoon Mary  
22 Jane Alves from the General Counsel's office. Thank you  
23 already for your presentations, they are extremely helpful  
24 in helping us focus our issues and hopefully our questions.  
25 Bear with me for a minute I'm going to turn to Mr. Herlach

1 just for a couple of legal questions and then I'll return to  
2 the more factual questions as well.

3 Mr. Herlach in your post-conference brief you  
4 have already indicated this morning that you are not  
5 contesting the domestic-like product issue. Either now or  
6 in your post-conference brief though could you address the  
7 related parties question?

8 MR. HERLACH: Sure, I would be happy to do that.

9 MS. ALVES: Are you aware of whether any of the  
10 other U.S. producers are importing from China?

11 MR. HERLACH: The other U.S. producers are  
12 referring to the companies that are listed in the petition.

13 MS. ALVES: The petition correct. The petition  
14 names three other U.S. producers.

15 MR. HERLACH: Give me one minute to consult.

16 MS. ALVES: Sure, I could actually reference  
17 them for you if you would like. The petition named Hirsch  
18 Industries, Pensko Corp and Hallowell List.

19 MR. HERLACH: I'm just consulting with my  
20 experts, we don't think so but we really don't know I'm  
21 sorry. We can't be definitive on that.

22 MS. ALVES: Okay and then turning more to the  
23 factual side Mr. Whalen are you familiar with any offers to  
24 sell from any of the other U.S. producers to the customers  
25 that you are attempting to sell to?

1                   MR. WHALEN: They may have made offers to sell  
2 but we don't come across that many in competition for  
3 instance, at a line review. Generally you will see the  
4 other people that are presenting products either physical  
5 samples or you will see the actual people and I have never  
6 seen one of the three suppliers that you are mentioning at a  
7 line review.

8                   MS. ALVES: Are you aware of them in the U.S.  
9 market at all? Do you know who they may be serving?

10                  MR. WHALEN: So our understanding is that two of  
11 the three not Hirsch, the other two as Steve mentioned  
12 earlier primarily focus on material handling and not on  
13 consumer packaged product, the way we are talking about it.  
14 Hirsch does have a business in consumer packaged product  
15 but it is generally from what we've seen the much, much  
16 lower capacity shelving. It's sort of a different category  
17 and one that we don't focus on.

18                  MR. HERLACH: And just to clarify, I mean since  
19 we've talked about like product I think we would, our  
20 position would be that that's not a like product. It's too  
21 different. It's not the sort of heavy duty stuff that  
22 we've been talking about.

23                  MS. ALVES: Okay so then moving a step forward  
24 would you consider those to be part of the domestic  
25 industry?

1                   MR. HERLACH: I think for this -- we have  
2                   limited information. I think you know based on the little  
3                   bit of information we have the answer is no. But you know  
4                   we don't have this amount, you know a market intelligent  
5                   source for that so as much as we would like to say  
6                   definitively that's our understanding, but our assets in  
7                   this area are somewhat limited but that's our position based  
8                   on what we currently know.

9                   MS. ALVES: Okay, I'm just checking because the  
10                  way you would characterize the market as you saw it was  
11                  primarily between you and Edsal and I was just wondering if  
12                  the domestic industry is just Edsal and your perception or  
13                  these other players are in this.

14                 MR. HERLACH: That is certainly our perception.  
15                 I'll let me Whalen comment if he cares to on that.

16                 MR. WHALEN: Yeah, again if we refer to the  
17                 sub-category of the high capacity boltless steel shelving we  
18                 don't consider them part of that sub-category.

19                 MS. ALVES: Okay and Miss Cannon I'll ask to  
20                 address this in your post-conference brief as well if you  
21                 would thank you. Okay and there has been extensive  
22                 discussion in terms of your perception of the big boxes as  
23                 being the market that you are competing in. Either here or  
24                 in your post-conference brief to the extent that I'm delving  
25                 too far into confidential information what is your sense of

1       what portion of the overall U.S. market these big boxes  
2       represent as opposed to the other entities?

3                   MR. HERLACH:    We do have review and I'll let Mr.  
4       Whalen tell you if he thinks he can say anything in public,  
5       I'm not.

6                   MR. WHALEN:    Yeah, you mean percentage of the  
7       overall market or dollar amount?

8                   MS. ALVES:    Either way or both.

9                   MR. WHALEN:    So in the category and the business  
10       that we are talking about packaged boltless steel shelving  
11       that is higher in capacity, without knowing the individual  
12       volume that's being done in all of the retailers my opinion  
13       is that those five retailers represent more than 80 percent,  
14       could be close to 90 percent.

15                   MS. ALVES:    Okay and then the rest of the U.S.  
16       market would be lower capacity and higher capacity or not in  
17       big box?

18                   MR. WHALEN:    No there is some higher capacity  
19       business being done as Mitch spoke about.    For instance  
20       there is some dot com business being done, there is  
21       retailers such as Sears or Orchard and then there is the  
22       lower capacity shelving that we mentioned but if I think  
23       about just the higher capacity, I think that those five big  
24       box retailers represent more than 80 percent of the  
25       business.

1                   MR. HERLACH:    And let me just say I think the  
2                   record is quite clear this morning, I mean.    You know where  
3                   the competition really is between the two big producers is  
4                   the big box market.

5                   MS. ALVES:       And I think that we're in agreement  
6                   that the scope would include both the higher capacity and  
7                   the lower capacity, I just want to make sure we agree that  
8                   the scope would include both, okay.    Are you aware of  
9                   imports from other sources on what you would call the lower  
10                  capacity?

11                  MR. WHALEN:     We have a very difficult time  
12                  competing with Edsal.    As I mentioned we tried on many  
13                  occasions to link business and we have been unsuccessful.  
14                  We have developed a strategy where we try to add innovation  
15                  and value add and even more quality and actually take this  
16                  to a higher price unit in order to do this because the  
17                  domestic manufacturers are lower priced on the more  
18                  commodity type business.

19                  So if you think about the lower capacity  
20                  shelving, in our minds that is even more commodity type  
21                  product and we are just simply unable to compete out of Asia  
22                  in that category so therefore after many attempts we have  
23                  decided as a strategy we were no longer going to try to gain  
24                  that business.

25                  MS. ALVES:     Okay.    And I may be pushing, I'm

1 going to keep pushing tell me when to back off if it needs  
2 to go into a post-conference brief. What would we expect  
3 to see in terms of importer questionnaires? Who is  
4 actually the importer of record for what you would consider  
5 to be your section of the market? Are you the importer of  
6 record or is it the Home Depots, obviously not Home Depot?

7 MR. WHALEN: So remember our customer is Costco  
8 so Costco is going to be the importer of record. In our  
9 business model we sell the product to Costco in China. So  
10 they are purchasing the produce in China and therefore they  
11 are importing it to the U.S. using their freight carriers.

12 MS. ALVES: Okay so to the extent that there are  
13 importer questionnaires that represent your transactions in  
14 your mind those would be reported by Costco?

15 MR. WHALEN: Yes so if you look at our  
16 questionnaire there's a very small quantity because we bring  
17 in what we refer to as safety stock or back-up inventory but  
18 the vast majority of all the shipments that end up on the  
19 floor at Costco are imported by Costco because we sell it to  
20 them FOB China.

21 MS. ALVES: Okay, thank you.

22 MR. WHALEN: And I just want to add that is  
23 partly why it may be difficult to find factories that are  
24 submitting because that's a common process where the sales  
25 occur in China and the retailer is actually doing the

1 importing so they are by definition the importer of record.

2 MS. ALVES: Okay. And then in your mind, in  
3 your experience are there any imports from non-subject  
4 countries in the U.S. market?

5 MR. WHALEN: There used to be imports from  
6 Mexico. I don't think there's much of that going on  
7 anymore but there's some imports from Mexico. Outside of  
8 Mexico in this particular category we haven't seen examples  
9 of products being imported.

10 MS. ALVES: And when you say that there used to  
11 be from Mexico was that recent period or five or more years  
12 ago?

13 MR. WHALEN: Close to ten years ago.

14 MS. ALVES: Okay thank you that's helpful. And  
15 to your knowledge, who are other producers of this product  
16 elsewhere in the world? Are they strictly within the  
17 United States and China or are there other possible sources?

18 MR. WHALEN: For product that ends up in the  
19 United States I'm not aware of producers not in the United  
20 States or in China at this point in time. I think other  
21 markets might produce for their local markets and resell  
22 into those markets, but in terms of product being exported  
23 into the United States I'm not aware of any.

24 MS. ALVES: Okay. And as far as the producers  
25 in China, to your knowledge is there much demand for this

1 product in China or elsewhere?

2 MR. WHALEN: If you think about it as packaged  
3 product, I don't believe that there is. If you think about  
4 it in the material handling side, just setting up warehouses  
5 and setting up back rooms, yes there is.

6 MS. ALVES: Okay and in your experience are most  
7 of the producers in China or some of them, whatever the  
8 number may be, doing both the material side and also the  
9 subject product?

10 MR. WHALEN: In both? Yeah our suppliers do  
11 make component parts for the domestic market, we are aware  
12 of that. So there is at least two examples of factories  
13 that are shipping to the United States packaged product and  
14 shipping independent parts for material handling into their  
15 local economy.

16 MS. ALVES: Okay and for material handling does  
17 that primarily stay in China or is that exported elsewhere?

18 MR. WHALEN: Yes, yes it does.

19 MS. ALVES: Okay so primarily for this product  
20 then, any of the packaged units are coming to the U.S.  
21 market is that a fair characterization?

22 MR. WHALEN: That's our understanding.

23 MS. ALVES: Thank you your answers have been  
24 extremely helpful and those are all the questions I have at  
25 this time.

1 MS. DEFILIPPO: Thank you Miss Alves, we'll now  
2 move to Miss Farrington for her questions.

3 MS. FARRINGTON: Thank you for traveling out  
4 here today. I just have a few follow-ups kind of along the  
5 lines of whether you agree or disagree with Edsal. Do you  
6 agree that there are no substitutes in this particular line?

7 MR. WHALEN: So if you walk down the aisle at  
8 Costco what you would see today is I think five different  
9 shelving units all next to one another and two of those  
10 would be the two pictures that you have here. One is the  
11 shelving unit and one is the industrial rack and you also  
12 are going to see two of the wire units and you are going to  
13 see one resin unit, at least right now the last time I was  
14 there.

15 So are these all products that somebody can set  
16 something on a shelf and utilize? Absolutely. Are they a  
17 substitute if you are putting something light-weight on the  
18 shelf? Yeah they are. The unique nature of our boltless  
19 steel shelving is the capacity so if somebody specifically  
20 looking for a heavy-duty high capacity shelving unit, they  
21 really are limited to just the scope of the product that we  
22 are talking about.

23 MS. FARRINGTON: Okay thank you. Do you agree  
24 that demand is price driven or do you see other factors in  
25 demand for boltless steel shelving?

1                   MR. WHALEN: There always are other factors but  
2 certainly price is the most important factor in this  
3 category.

4                   MS. FARRINGTON: Okay and Edsal mentioned the  
5 discount issue particularly for Black Friday. Have you run  
6 into those same issues and did you account for this type of  
7 discounting in your questionnaire reporting?

8                   MR. WHALEN: Yes we are very much aware of the  
9 discounting. It is an unfortunate part of the business the  
10 way it has evolved. As if we accounted for it in the  
11 questionnaire.

12                   MR. HERLACH: I think what you are addressing is  
13 the netting.

14                   MS. FARRINGTON: Yeah.

15                   MR. HERLACH: That was our approach, we'll  
16 double check that and let you know in the post-conference  
17 brief if we have failed in any regard but that was certainly  
18 our intent.

19                   MS. FARRINGTON: Great, thank you. I just  
20 wanted to double check. I believe that's all my questions  
21 for now.

22                   MS. DEFILIPPO: Thank you Miss Farrington.  
23 Thank you Mr. G I will scoot down the table to Mr. Fravel.

24                   MR. FRAVEL: Yes, thank you. Just three  
25 questions, the Petitioners have made comments about the

1 pricing in the second quarter of 2014, have you seen similar  
2 issues with pricing pressure in the second quarter of this  
3 year?

4 MR. WHALEN: The shelving business is a  
5 competitive category. I haven't seen any change in 2014.  
6 I haven't frankly seen any change in the last five or six  
7 years, it's just it's all about bringing your best price and  
8 then afterwards as Mr. Liss suggested they ask you for  
9 additional program allowances but that's not a new thing  
10 that occurred in 2014.

11 MR. FRAVEL: Okay, thank you. The second  
12 question is I don't go to Sam's Club but how does Sam's when  
13 you mention the box stores. Sam's Club is mentioned, is  
14 that the same as Walmart because I think Sam's Clubs they  
15 require a membership whereas Walmart I can go into any time.

16 MR. WHALEN: So if somebody blindfolded you and  
17 set you inside of a Sam's Club and you remove the blindfold  
18 you might think you were in Costco. It's a very similar  
19 format. It's laid out exactly the same way. They charge  
20 a membership fee just as Costco does. They work on a much  
21 smaller margin, just as Costco does and the objective is for  
22 you to pay a membership in order to get the best value in  
23 the industry and that's their objective and that's their  
24 model.

25 They like Costco have a very limited number of

1       skews so for instance in the boltless shelving unlike Home  
2       Depot or you mentioned there might have been seven, eight or  
3       ten skews there's probably only going to be two or three  
4       skews that they are very focused on their strategy and as I  
5       mentioned Edsal owns every one of those skews.

6               MR. FRAVEL:     And in terms of the purchasing  
7       departments, are they separate for Sam's Club and Walmart?

8               MR. WHALEN:     They are it's a completely separate  
9       merchandising team.

10              MR. FRAVEL:     So how come you didn't mention  
11      Walmart as a separate box?

12              MR. WHALEN:     Because Walmart doesn't carry the  
13      high capacity steel shelving.

14              MR. FRAVEL:     Okay, thank you.     The third one is  
15      more question of curiosity you don't have to answer I don't  
16      think.     In China when does the U.S. retailer pay you in  
17      dollars or in yuan?

18              MR. WHALEN:     They pay in dollars.     In dollars,  
19      so the transaction is basically in our case the U.S.  
20      manufacturer buying from our U.S. Company in U.S. dollars  
21      with a U.S. contract or vendor agreement as we refer to it,  
22      but the location that we deliver the product to them happens  
23      to be the port in China.     But it's a transaction between  
24      two U.S. companies.

25              MR. FRAVEL:     Okay so you, it's really not

1 necessarily okay. It's taking place in China but it's just  
2 done in dollars.

3 MR. WHALEN: That just happens to be the location  
4 of the delivery. They could buy product from Europe, they  
5 could buy product from Africa but in this case they are  
6 buying it at a port in China.

7 MR. FRAVEL: Okay, thank you. I have no  
8 further questions.

9 MS. DEFILIPPO: Thank you Mr. Fravel. Mr.  
10 Navarro?

11 MR. NAVARRO: No questions.

12 MS. DEFILIPPO: Miss Haines?

13 MS. HAINES: All right. Let's see. I guess I  
14 just have two comments/questions. One would be if you  
15 could include in your post-conference brief the written  
16 version of the interview that you are reading from, that  
17 document would be helpful.

18 The second would be it would be helpful for you  
19 to look back at the comments made by Miss Cannon regarding  
20 direct import pricing and provide any of your thoughts on  
21 how the Commission should analyze an industry where you have  
22 importers that are directly importing and those are the  
23 prices that they are dealing with. If you look at her  
24 comments and if you could comment on that in your brief I  
25 would appreciate that.

1 MR. HERLACH: Okay, we'll be happy to do that.

2 MS. DEFILIPPO: I'll turn to Miss Messer for a  
3 couple of follow up.

4 MS. MESSER: I have two follow-up questions.  
5 The first one is what you are calling high capacity  
6 shelving. Can you give us a definition of that and does  
7 this product on display is that high capacity shelving?

8 MR. WHALEN: I guess that's a matter of opinion.

9 I would say yes, I would say this falls into the category  
10 of high capacity shelving. What we try to talk about when  
11 we are presenting from a marketing standpoint is some of  
12 those other potential substitutes that we were talking  
13 about, a resin shelve or a wood look shelve is certainly not  
14 going to support something substantial that's 2, 3, 5, 1000  
15 pounds. So we focus the marketing as you can see on the  
16 box around the capacity.

17 It's a pretty big font for that 3,000 pounds so  
18 it's a big -- we talked about is price the only factor.  
19 Price is a very, very important factor but capacity might be  
20 the second most important factor in this business.

21 MS. MESSER: Okay so even though you would  
22 supply this high capacity shelving to Sam's Club, you said  
23 Walmart you don't supply it to Walmart? Does Walmart sell?

24 MR. WHALEN: Walmart doesn't sell high capacity  
25 shelving. So quickly Home Depot does and Edsal has 100

1 percent of that business. Lowe's does and Edsal has 100  
2 percent of that business. Sam's Club does and Edsal has  
3 100 percent of that business. Menard's does and Edsal has  
4 100 percent that business and Costco does and we have ten of  
5 the eleven distribution centers, Edsal has the eleventh  
6 distribution center.

7 MS. MESSER: Do the office supply stores sell  
8 this high capacity shelving? Testimony by the Petitioners  
9 led me to believe that the Walmart's and the office supply  
10 stores do supply this product.

11 MR. HERLACH: Give us just a minute.

12 MR. WHALEN: At one time Staples did carry one  
13 skew, I'm not sure if they still carry that or not and  
14 that's in the higher capacity that I mentioned. Walmart  
15 does carry some of the lower capacity shelving. I believe  
16 that comes from Hirsch and the online channels so some  
17 business in that as well but again it's not a large volume  
18 at all.

19 MR. HERLACH: If I might just add Miss Messer I  
20 take it your question is are these other retailers players  
21 in this market, is that your?

22 MS. MESSER: Yes.

23 MR. WHALEN: Okay so again I know that you've  
24 mentioned office superstores. I know that Staples at one  
25 time did carry one high capacity shelving unit. We are not

1       sure if they still carry that any longer.

2                   MS. MESSER:    Okay does the Petitioner produce  
3       the lower capacity shelving and in your mind is that part of  
4       the scope?   Or a domestic-like product?   Or both?

5                   MR. WHALEN:    I'd be making assumptions.    I  
6       don't know exactly what they're identifying as a scope.    If  
7       it were me I would think yes, boltless steel shelving would  
8       consider both high capacity and low capacity shelving.

9                   MS. MESSER:    Okay I would be interested, I would  
10      be interested in finding very particular verbage what you  
11      feel the difference between high capacity and low capacity  
12      shelving is.

13                  MR. HERLACH:    Why don't we try to do this in the  
14      brief and it seems to me like you're looking for some  
15      guidance as to where the divide line is, am I correct in  
16      that?

17                  MS. MESSER:    Yes.

18                  MR. HERLACH:    Okay, I think we can probably  
19      better do that in the brief unless Mr. Whalen has another  
20      comment he wants to make.

21                  MR. WHALEN:    Yeah, Steve just pointed out  
22      something very important.    The lower capacity shelving that  
23      I'm thinking of does in fact have bolts, so based on that it  
24      wouldn't fall into this category.

25                  MS. MESSER:    Okay, all right.    Yes?

1                   MR. HERLACH:    And we'll address this is the  
2                   post-conference brief and try to bring some clarity to this  
3                   so that we are able to help.

4                   MS. MESSER:    Thank you, the only other question  
5                   I have is you mentioned that Whalen is not the importer of  
6                   record for items?

7                   MR. WHALEN:    For the vast majority of what we  
8                   sell to Costco, we sell it to them in China and then they  
9                   import it into the United States so even though we are the  
10                  seller we are not the importer.    Costco is the importer  
11                  however, as part of our service we bring in what we refer to  
12                  as safety stock in case they run out of product in a  
13                  specific location.    So we import that in, put it into our  
14                  warehouse and have it available for them in case they need  
15                  additional product.

16                  MS. MESSER:    Okay, just so that I don't say  
17                  anything that's not public.    Can you in post-conference  
18                  indicate how much if any double counting we have in our  
19                  questionnaires as far as imports?

20                  MR. HERLACH:    We are conscious of this issue to  
21                  the best of our knowledge, none.

22                  MS. MESSER:    Okay.

23                  MR. HERLACH:    But you know we will obviously  
24                  take another look at it but knowing how the business is  
25                  done, the objective was to insure that there is no double

1 counting.

2 MS. MESSER: All right, thank you. Those are  
3 all the questions I have.

4 MS. DEFILIPPO: Thanks Miss Messer and thank you  
5 to the panel for responses to our questions. It's been  
6 very helpful. We will move to closing statements and we'll  
7 look at both sides and ask a five minute break. Are you  
8 ready to go to that five minute break between and then we  
9 will start up at about ten of for the closing statements on  
10 both sides. Thank you.

11 MS. DEFILIPPO: Mr. Herlach, are you guys ready  
12 or do you need a couple more minutes? If it's okay with  
13 everyone we will start up now. Excellent we will save a  
14 couple minutes and get everyone towards lunch sooner rather  
15 than later. Welcome back Miss Cannon.

16 MS. CANNON: Thank you Ms. DeFilippo we are  
17 always ready to get to lunch sooner so I appreciate that.  
18 Just a few comments in rebuttal to the testimony we heard  
19 just now. I think that Mr. Whalen's statement sums up our  
20 perspective on this and that was he said "we have a limited  
21 perspective", when you all asked him a question about  
22 demand.

23 They said they sell to one customer and based on  
24 their experience with that customer they thought demand was  
25 declining. That's not what's going on with the market

1 overall. Similarly their statement that this whole market  
2 is Edsal versus Whalen is not what this market is all about.

3 There are many players in this market. Whalen is not the  
4 Chinese industry, it's just one selling agent and as I  
5 discussed earlier, it's becoming more marginalized because  
6 direct imports are becoming the name of the game.

7 The problem here is Chinese manufacturers.  
8 That's where the problem is coming from. That's who is  
9 offering the low prices that Edsal is struggling with and  
10 frankly Whalen is struggling with as well. So when you  
11 hear testimony from Whalen that's a very limited  
12 perspective, don't assume that equates to the Chinese  
13 industry as a whole, it does not.

14 A distributor like Whalen is struggling to  
15 compete because the new paradigm here is direct imports.  
16 It's all about the Chinese pricing in these line reviews and  
17 we will give you documentation in our post-conference brief  
18 to document what the experience really is.

19 They were describing some line reviews to you  
20 where they said you know it's with Edsal verses Whalen if  
21 that was the whole game, it's not. The Chinese producers  
22 that are also competing are the ones that are really  
23 offering the low prices.

24 There was a discussion a little bit about threat  
25 and the Chinese manufacturers and again I think the

1 perspective you heard is limited because of their experience  
2 with maybe one or two suppliers. That's not what's going  
3 on in the industry today. You'll see that, I'm hoping you  
4 get more questionnaires, but even in the questionnaires you  
5 have so far you are seeing capacity, you are seeing idle  
6 capacity, we'll document that further as well but there are  
7 lots of companies out there that make this product, it is  
8 not a complicated product to make and there's plenty of idle  
9 capacity to product it.

10           The Chinese factories aren't shutting down.  
11 What they are doing is they are doing direct import today.  
12 I think the good news is that there was a lot of agreement  
13 and then that makes all of our lives a little bit easier.  
14 They agreed with us that there are no real substitutes for  
15 the product.

16           They agreed with us that demand is price driven,  
17 which was a little unusual but that is what is going on in  
18 this market. They agreed with us that it's all about  
19 bringing your best price. So we don't have quality, we  
20 don't have a lot of other factors it's all about bringing  
21 your best price.

22           They acknowledged the discounting practice that  
23 we mentioned, again another important price factor here.  
24 Although we have a disagreement about who is leading the  
25 price down where they say it's Edsal and really as I said

1       it's the Chinese manufacturers that are causing the problems  
2       here.

3                   And then the one final area of clarification that  
4       maybe shows the broader perspective that we have is the  
5       statement that there's really only the five purchasers and  
6       everybody else is irrelevant including Walmart, the product  
7       that we brought today, Mr. Liss informed me is a product  
8       that they supply to Walmart, heavy duty steel shelving so  
9       that box sitting there is a Walmart product as just one  
10      example.    Thank you very much.

11                   MS. DEFILIPPO:   Thank you Miss Cannon.    I will  
12      now turn to Mr. Herlach for closing statements of  
13      Respondents.

14                   MR. HERLACH:   Well you know I would agree with  
15      Miss Cannon we have some areas of agreement but not on the  
16      important stuff so I think it always takes two perspectives  
17      to make a ballgame and we have some interesting differences  
18      on what we would view as critical.

19                   So let's start off with her first statement which  
20      sort of suggests that Whalen is just a distributor and a  
21      small fry and you know we are trying to be as conservative  
22      and accurate as we can be but there is just no question in  
23      the market that your are being asked to look at, you have  
24      the two big players here.

25                   Now we can disagree about things at the margin

1 but you know the conditions of competition at the big box  
2 stores I don't think there's any disagreement on that,  
3 that's an area that everybody plainly is focusing on and  
4 you've got the people here who are directly competing and I  
5 mean the reality is you know our folks are only losing  
6 business to one competitor and that's Edsal.

7           You know Edsal's got four of the five locked up  
8 and they are making inroads at the fifth which is the  
9 business that Whalen has so I would beg to differ with Miss  
10 Cannon's suggestion that our perspective is quite as limited  
11 as she suggests. Ironically I think it's actually quite a  
12 good perspective, it's a perspective like Edsal's is  
13 informed by China and the U.S. and of course you heard quite  
14 a bit about Edsal's own China operation and we will be  
15 addressing some of that in the post-conference brief.

16           But it's certainly not a fair characterization to  
17 suggest that Edsal is just a simple distributor. They are  
18 in fact the people who are competing with Edsal toe-to-toe  
19 in this product category. And the simple fact that there  
20 are some marginal players I don't think should be allowed to  
21 distract the Commission and the staff from what your charge  
22 is, which is to decide whether there is material injury  
23 going on here.

24           Yeah there's competition and we heard a lot about  
25 this one Black Friday incident which our folks tell me took

1 place at one of the big box stores, but you know that's one  
2 item and I don't think the statute suggests that one  
3 instance which by itself is not a significant market factor  
4 but reflects what Mr. Whalen said which is this is a highly  
5 competitive market, should be inflated into evidence of  
6 reasonable indication of material injury.

7 In one sense it's been sort of interesting,  
8 there's a bit of a shell game going on here because  
9 everybody on the Petitioner's side agrees that it is the big  
10 box stores that are critical, yet you really didn't hear  
11 anything about them losing the big box stores to import  
12 competition and it is as Mr. Whalen indicated quite the  
13 contrary. We're losing position in our one key big box  
14 company to Edsal.

15 So I would just ask you to be someone skeptical  
16 about the notion that there is this sort of conundrum of  
17 sales that's going on in some of these other locations  
18 because they are really not that significant and one of the  
19 challenges you have is you have to determine the  
20 significance of what's going on and I think we do have  
21 strong agreement that the real focus needs to be the big box  
22 market and in that market Edsal's done very well and it's  
23 been the price leader and it's prevented our client Whalen  
24 from entering the other customers that they don't presently  
25 serve.

1                   So I would submit to you we have got a causal  
2                   issue here. There's just not been a showing of a causal  
3                   connection between the imports from China and an indication  
4                   in material injury and at the same time with respect to the  
5                   threat question you heard Mr. Whalen's testimony on the  
6                   facts that from his perspective, and this is somebody who is  
7                   getting a significant amount of his product from China, he's  
8                   having trouble sourcing from more Chinese producers so it  
9                   sort of begs the question to suggest that there is some  
10                  enormous threat out there when in fact one of the key  
11                  players in the U.S. market has seen the options diminish in  
12                  China.

13                  So I would ask you to put on your skeptical hat  
14                  about that issue as well with respect to what you heard this  
15                  morning from Petitioners. The bottom line from our  
16                  perspective you know Edsal seems to have brought this  
17                  petition because it has been unable to make good on its long  
18                  term strategy which is to try to get Whalen out of the  
19                  Costco business.

20                  And you heard a very interesting interview which  
21                  of course was something that took place long before this  
22                  petition was filed but I submit when you see the document,  
23                  which we will attach to our post-conference brief, you will  
24                  find it fairly interesting reading because in our view it's  
25                  quite consistent with the picture that our witnesses have

1 painted today as to what's really going on in the  
2 marketplace.

3 So based on that we would ask that you find in  
4 the negative and terminate this investigation because we  
5 don't feel that there is an adequate showing of cause of  
6 import injury caused based on the testimony that you heard  
7 today. We thank you for your time.

8 MS. DEFILIPPO: Thank you very much. On behalf  
9 of the Commission and the staff I would like to thank the  
10 witnesses who came here today as well as counsel, for  
11 helping us gain a better understanding of the product and  
12 the conditions of competition in the boltless steel shelving  
13 units that are pre-packaged for sale industry. Before  
14 concluding, please let me mention a few dates to keep in  
15 mind.

16 The deadline for submission of corrections to the  
17 transcript and for submission of post-conference briefs is  
18 Friday, September 19th. If briefs contain business  
19 proprietary information, the public version is due on  
20 Monday, September 22nd. The Commission has tentatively  
21 scheduled its vote on these investigations for Friday,  
22 October 10th and it will report its determinations to the  
23 Secretary of the Department of Commerce on Friday, October  
24 10th.

25 Commissioner's opinions will be issued on Monday,

1       October 20th.    Thank you all for coming.    This conference  
2       is adjourned.

3                    (Whereupon, at 12:57 p.m., the hearing was  
4       adjourned.)

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## CERTIFICATION OF REPORTER

TITLE: In The Matter Of: Boltless Steel Shelving Units Prepackaged for Sale from China

INVESTIGATION NO.: 701-TA-523 and 731-TA-1259

HEARING DATE: 9-16-2014

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 09-16-2014

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine  
Signature of Court Reporter