

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation No.:
CARTON-CLOSING STAPLES FROM CHINA) 731-TA-1359 (FINAL)

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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
CARTON-CLOSING STAPLES FROM CHINA) 731-TA-1359 (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, March 13, 2018

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Rhonda K.
Schmidtlein, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8

9

10

11

12 Staff Present:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Sharon Bellamy, Records Management Specialist

16 Tyrell Burch, Meredith M. Broadbent

17

18 Amanda Lawrence, Investigator

19 Mark Brininstool, International Trade Analyst

20 Yasnanhia Cabral, International Economist

21 Brian Allen, Attorney/Advisor

22 Douglas Corkran, Supervisory Investigator

23

24

25

1 APPEARANCES:

2

3 Opening Remarks:

4 Petitioner (Philip A. Butler, Stewart and Stewart)

5

6 In Support to the Imposition of Antidumping Duty Order:

7 Stewart and Stewart

8 Washington, DC

9 on behalf of

10 North American Steel & Wire, Inc./ISM Enterprises ("ISM")

11 Maroune Farah, Owner, ISM

12 Ross Tyndall, Management Consultant, ISM

13 Philip A. Butler, Jennifer M. Smith and Mark D. Beatty

14 - Of Counsel

15

16 Closing Remarks:

17 Petitioner (Philip A. Butler, Stewart and Stewart)

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1 P R O C E E D I N G S

2 MR. BISHOP: Will the room please come to order?

3 CHAIRMAN SCHMIDTLEIN: Good morning. On behalf
4 of the U.S. International Trade Commission, I welcome you to
5 this hearing in the final phase of investigation number
6 731-TA-1359 involving carton-closing staples from China.

7 The purpose of this investigation is to
8 determine whether an industry in the United States is
9 materially injured or threatened with material injury of the
10 establishment of an industry in the United States is
11 materially retarded by reason of less than fair value
12 imports of carton-closing staples from China.

13 Schedules setting forth the presentation of this
14 hearing, notices of investigation, and transcript order
15 forms are available at the public distribution table. All
16 prepared testimony should be given to the secretary. Please
17 do not place testimony directly on the public distribution
18 table.

19 All witnesses must be sworn in by the secretary
20 before presenting testimony. I understand that parties are
21 aware of the time allocations. Any questions regarding the
22 time allocations should be directed to the secretary.

23 Speakers are reminded not to refer in their
24 remarks or answers to questions to business proprietary
25 information. Please speak clearly into the microphones and

1 state your name for the record for the benefit of the court
2 reporter.

3 If you will be submitting documents that contain
4 information you wish classified as business confidential,
5 your request should comply with Commission Rule 201.6.

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

8 MR. BISHOP: Madam Chairman, I would note that
9 the panel in support of the imposition of the anti-dumping
10 duty order have been seated. All of these witnesses have
11 been sworn and this panel has 60 minutes for their direct
12 testimony.

13 CHAIRMAN SCHMIDTLEIN: Thank you very much.
14 Let's begin with opening remarks.

15 MR. BISHOP: Opening remarks on behalf of
16 petitioners will be given by Philip A. Butler of Stewart and
17 Stewart. Mr. Butler, you have five minutes.

18 OPENING REMARKS OF PHILIP A. BUTLER

19 MR. BUTLER: Thank you. Good morning, I am
20 Philip Butler of Stewart and Stewart for the petitioner,
21 North American Steel & Wire, Inc./ISM Enterprises.

22 First, I would like to thank the Commission
23 staff for all their work in this investigation. I realize
24 how busy the Commission is these days and the work you do is
25 essential to domestic producers like the company before you

1 today.

2 This case is about the survival of a domestic
3 industry in the United States. ISM has been a well-known
4 major brand of carton-closing staples for decades. However,
5 imports from China have decimated this industry. With the
6 closing of the Stanley Bostitch facility, ISM is the sole
7 producer of carton-closing staples in the United States.

8 Mr. Farah and his investors purchased ISM in
9 2010 when North American Wire was in bankruptcy and ISM was
10 on the verge of bankruptcy. They bought both companies with
11 a vision. They did not buy these companies to simply strip
12 them of assets and move on.

13 As Mr. Farah will testify, they were committed
14 to reviving the integrated production of carton-closing
15 staples in the United States. They believed that the
16 company, well-recognized brand, and quality assets would
17 permit ISM to make a viable comeback. They were committed
18 to keeping the production in the United States and
19 supporting American manufacturing jobs.

20 But the surge in Chinese imports continued year
21 after year. The pre-hearing staff report shows that from
22 2014 to 2016, imports of Chinese staples grew from 3.2
23 billion staples to 4.1 billion staples, an increase of
24 nearly 26 percent.

25 The record shows that Chinese imports seized

1 market share at the direct expense of the domestic industry.
2 Chinese imports were able to gain market share due to
3 several factors. First, carton-closing staples are mostly
4 made to standard sizes and specifications and are highly
5 interchangeable regardless of sources.

6 Producers will make staples that fit other
7 manufacturer stapling tools and advertise them as such. As
8 a result, these highly interchangeable staples compete
9 primarily on the basis of price.

10 Second, carton-closing staples are sold mainly
11 to distributors who will handle both domestic and Chinese
12 staples and most sales are on the spot market. This makes
13 price competition even more intense.

14 Third, Chinese producers have demonstrated a
15 willingness to deeply undercut domestic prices and lower
16 prices in order to gain market share. The pre-hearing staff
17 report shows underselling in all 60 comparisons and at
18 margins as high as 53.1 percent.

19 Mr. Farah will testify that Chinese staples have
20 been quoted at prices that are not only below their own cost
21 of production, but below even the cost of just the primary
22 raw material.

23 As a result, ISM has been faced with an
24 impossible choice. If the company tried to lower its prices
25 to meet the dumped Chinese price, it would have guaranteed

1 its own eventual demise.

2 The only option was to hold prices, reduce cost,
3 and try to increase its sales volume. However, ISM has
4 continued to lose sales to Chinese imports. As a result,
5 current sales volumes are far, far below the company's
6 capacity.

7 This makes it impossible to cover both fixed and
8 variable cost. The result has been significant and
9 sustained losses for ISM throughout the period of
10 investigation. This has forced the company to lay off
11 workers, and reduce hours. It has also deprived the company
12 of the ability to make needed capital expenditures and to
13 engage in any significant research and development of major
14 marketing activities.

15 The current trends are not sustainable for ISM.
16 If relief is imposed, the company will have the opportunity
17 to greatly increase its sales volume using existing
18 equipment. This will allow it to better use the employees
19 it currently has and to hire more workers to cover the cost,
20 to earn a profit, and to become viable for the long term.

21 As both Mr. Farah and Mr. Tyndall will testify,
22 since preliminary duties were announced last November, ISM
23 has received interest from both large and small purchasers.
24 However, if relief is not imposed, the company and its
25 workers are at risk.

1 As the last remaining domestic producer of
2 carton-closing staples, this would also put the survival of
3 the domestic industry in jeopardy. For all these reasons,
4 we hope the Commission will make an affirmative
5 determination in this case. Thank you.

6 CHAIRMAN SCHMIDTLEIN: Mr. Secretary, will you
7 please announce the first panel?

8 MR. BISHOP: Madam Chairman, the panel in
9 support of the imposition of the anti-dumping duty order
10 have been seated.

11 Mr. Butler (sic), you have 60 minutes for your
12 direct presentation. You may begin when you're ready.

13 STATEMENT OF MAROUNE FARAH

14 MR. FARAH: Good morning. My name is Maroune
15 Farah. I'm one of the owners of North American Steel &
16 Wire, Inc./ISM Enterprises. I'm very happy to be here
17 today.

18 While Chinese imports of carton-closing staples
19 have nearly driven out all domestic competition, the effects
20 of the preliminary duties give me hope that we can have a
21 viable industry here in the United States.

22 This case is vital to the survival of our
23 company. If we cannot get relief from dumped imports of
24 carton-closing staples from China, if we continue to lose
25 sales to Chinese competitors, and if we continue to bear the

1 significant losses that we have seen in recent years, it
2 will no longer be tenable for us to stay in business.

3 I purchased the company in 2010 after North
4 American Wire had filed for bankruptcy and with ISM close to
5 declaring bankruptcy. The two facilities, which had once
6 been part of the same ISM company, were located across the
7 street from each other in Butler, Pennsylvania. One had
8 equipment to draw and coat wire, and the other, to produce
9 staples from that wire.

10 The only other bidders for the wire company were
11 banks that had no interest in reviving production and only
12 planned to sell off the assets.

13 But I saw an opportunity. I researched the
14 staple industry and the history of the company. The company
15 had been able to achieve significantly higher sales volumes
16 in prior years, multiples of what they were currently
17 selling shortly before the time of acquisition and all on
18 existing equipment.

19 I plan to put the plants into operation, restart
20 wire and staple production, and grow the business to fill
21 out existing capacity. I believe that an integrated
22 facility producing value-added products under a well-known
23 brand name could thrive under the right management and help
24 support good manufacturing jobs in America.

25 With my own funds and some assistance from

1 family members, we bought the wire plant and everything in
2 sight -- and everything in it, sight unseen. I bought the
3 staple company soon afterwards.

4 We consolidated the wire and staple production
5 equipment under one roof and we started production in 2010.
6 Unfortunately, rising volumes of low-price staples from
7 China have made it impossible to reach the production
8 volumes we need to be a viable business.

9 Even with our assets acquired out of bankruptcy,
10 our fixed costs are just too high to continue trying to
11 cover with current low production volumes. We have simply
12 had too much capacity we could not fill because we could not
13 increase our sales and production.

14 The reason we have not been able to achieve what
15 we envisioned for our company as unfair competition from
16 imports of carton-closing staples from China, the staff
17 report shows that volumes of imports from China is
18 significantly greater than our own volume and has been
19 rising absolutely and relative to our volume. As imports
20 from China have increased, we have lost sales and market
21 share.

22 Imports from China have been able to gain at our
23 expense by deeply undercutting our prices. The staff report
24 shows that Chinese staples undersold domestic product in
25 pricing -- in every pricing comparison at margins as high as

1 53 percent. Anecdotally, we have heard in some cases of
2 staples from China being offered at prices that are lower
3 than what it would cost us to buy the copper wire to make
4 our own staples.

5 This aggressive price competition is simply
6 unsustainable. When your primary competitor is dumping
7 product at high margins and quoting prices for finished
8 product that are lower than the cost of the primary raw
9 material, there is simply no way to survive.

10 Because we cannot lower our prices to match
11 Chinese prices without driving the company into the ground,
12 we have been forced instead to sacrifice significant sales
13 volumes.

14 We have submitted a large number of lost sales
15 and lost revenue allegations as a sample of the volume we
16 have lost. When our customers see Chinese staples available
17 for so much less, they do not hesitate to shift suppliers.
18 Not only do we lose sales, but we have no chance to grow the
19 business effectively by having to compete with these dumped
20 staples in the market.

21 To deal with this loss in sales volume, we have
22 had to lay off workers for go needed capital expenditures
23 and put off research and development efforts. We have
24 trimmed expenses everywhere we can.

25 Nonetheless, these cost-cutting measures have

1 not been enough. As we experienced financial losses over
2 the period of investigation due to import competition, we
3 continue to pour money into the companies year after year to
4 fund the losses caused by Chinese imports.

5 However, the outlook for ISM has changed due to
6 this dumping investigation. Since preliminary duties were
7 imposed in early November, our production volumes have
8 increased and we have received interest from several large
9 and small purchasers who have not bought from us in years.
10 They've inquired about our product range and ability to ramp
11 up to fill large orders. In February, we shipped our first
12 order in years to a certain large customer and we are in
13 negotiations to fill additional orders for them. It is my
14 impression that they and other U.S. customers are waiting
15 for a final affirmative determination from the Commission
16 before they switch sourcing from Chinese imports to domestic
17 product.

18 Many purchasers have relationships with Chinese
19 exporters and do not want to switch to U.S. staples until an
20 anti-dumping order duty order is certain. In addition, many
21 customers bought large quantities of Chinese staples before
22 the preliminary duties were imposed. So once those
23 inventories start running out and assuming a final
24 anti-dumping order is in place, I expect to see a
25 significant uptick in orders.

1 ISM has enormous production capacity and ability
2 to ramp up production in a relatively short period of time.
3 To accommodate the large purchase orders that we anticipate
4 if duties are imposed, we will have to acquire raw
5 materials, add production shifts, and possibly convert
6 machines to new SKUs.

7 This ramp up can all be done within a matter of
8 weeks for smaller orders and 90 days for large orders, which
9 may require significant raw materials. If we are able to
10 obtain relief from dumped imports of carton closing staples
11 from China, I have great hopes for the company. We could
12 substantially increase our production volume on our existing
13 equipment and we would be able to operate much more
14 efficiently.

15 We could make significantly higher volumes with
16 the existing workers, who are underutilized and hire more
17 workers if production volumes increased enough.

18 This would allow us to meet my original goal
19 when we bought the companies to make productive use of
20 quality assets and create good jobs for American workers,
21 increase sales, and production would allow us to cover our
22 fixed costs, earn a profit, grow the business and our
23 employee base, and become viable for the long-term.

24 The interest we have received from customers
25 since preliminary duties were imposed confirms that my

1 vision is successful. Sustainable company -- is a
2 successful sustainable company -- sorry. My vision of a
3 successful sustainable company in the -- in this industry is
4 possible. Thanks to this investigation, there's hope and
5 energy in our factory that I have not seen in years.

6 If we are not able to get relief, I'm afraid it
7 will be the last straw for ISM. There's simply no way for
8 us to continue pouring funds into a company that is barely
9 holding on against the tide of dumped imports from China.
10 In the years that we have owned this company, we have not
11 been able to secure any bank loans or government grants or
12 assistance because of the losses which stem directly from a
13 lack of sales due to unfair competition from Chinese
14 staples.

15 Instead, we use our own monies and we had to
16 borrow from private parties because we believed we could get
17 the company profitable. However, for as long as we have
18 fought and our workers have tried, it is a hopeless fight
19 when your main competition operates in an environment that
20 is not a free market.

21 Over the years, we have spent millions of
22 dollars in the United States and Pennsylvania on salaries,
23 taxes, services, utilities, raw materials, and other
24 expenses. These monies would not have been spent and the
25 people and community would not have benefitted had we not

1 purchased the company and had the vision and belief that
2 U.S. manufacturing and the American workers could compete
3 with China.

4 The business would have all ended up in China
5 and those monies would have been lost to the Chinese
6 competitors that use unfair dumping and price undercutting
7 to seize market share.

8 As the Commission is aware, ISM is the only
9 producer of carton-closing staples left in the United
10 States. Other companies have closed their doors or changed
11 their product focus. This investigation is our last hope.

12 An affirmative determination is critical not
13 only to our company's survival, but to the continued
14 existence of the domestic industry. Our experience since
15 preliminary measures were imposed proves to me that an
16 affirmative final determination by the Commission will make
17 the difference between ISM's survival and closing our doors
18 for good.

19 I look forward to any questions you may have.

20 Thank you.

21 STATEMENT OF ROSS TYNDALL

22 MR. TYNDALL: Good morning, my name is Ross
23 Tyndall and I am the management consultant at North American
24 Steel & Wire, Inc./ISM Enterprises. I have been with the
25 company since 2012 and I oversee all the company's

1 day-to-day operations including sourcing, production, and
2 sales.

3 ISM is a vertically-integrated production
4 facility. We draw wire rod into wire and then anneal,
5 pickle and coat the wire with copper or zinc. The wire is
6 then formed into either stick or roll staples.

7 The wire is fed into either a staple roll making
8 machine or a stick staple making machine for the final phase
9 of flattening the wire and forming the final stick or roll
10 staples. The manufacturing process is the staple for both
11 stick and rolls through the wire making process and it only
12 differs in the final phase, depending on which machine is
13 used to form the staples.

14 These machines are most efficient when operating
15 in large batch quantities as it takes time to change which
16 staple the machine produces. If operating efficiently, I
17 have no doubt that ISM has the capacity to serve all the
18 demand currently served by Chinese imports. Standard sizing
19 and establishing stapling tool parameters make
20 carton-closing staples from China highly interchangeable
21 with our own staples. We make staples for stapling tools
22 made by ISM, as well as other company's stapling tools.

23 Producers in China do the same. They will often
24 advertise their product as similar to ISM or otherwise to
25 ensure customers are aware that their staples can be

1 substituted for our product.

2 In fact, when we take in some of our stapling
3 tools for repair or maintenance, it is common for us to find
4 the tool loaded with Chinese staples. This makes it very
5 difficult for us to try to distinguish our product from
6 Chinese staples to our customers.

7 The vast majority of our sales are to
8 distributors and the majority of Chinese staples are sold to
9 distributors as well. All of our sales are on the spot
10 market, which makes us highly sensitive to price
11 undercutting when we are competing for sales to these
12 distributors.

13 During the period of investigation, we heard
14 about lower prices for staples from China on an almost
15 constant basis. As Mr. Farah testified, it is impossible
16 for us to try to meet unrestrained prices from China, which
17 are not only below our cost of production, but sometimes
18 even below the cost of the wire used to make the staples.

19 Because we cannot Chinese prices, we have lost
20 significant sales volumes since the acquisition of ISM and
21 have continued to lose sales volume since 2014.

22 This has kept our production far below our
23 potential capacity. This means we have expensive equipment
24 sitting idle and other equipment only turned on
25 periodically. This has created serious inefficiencies in

1 our production process.

2 Turning our annealing furnace on and off, for
3 example, takes at least 12 to 18 hours of production time.
4 Ideally, it should be run for as long as possible once it
5 has reached the right temperature for production, but we
6 simply do not have the volume to make the most efficient use
7 of this important equipment. This is just one example of
8 the extra costs we bear because of the sales volumes we have
9 lost to Chinese imports.

10 Due to our inability to achieve sustainable
11 sales, we have been unable to fund larger production runs.
12 As a result from time to time, we are unable to serve
13 customers using inventory which is how most sales are made.
14 When the specific staple requested by a customer is not held
15 in inventory, unless the order is significant, it is
16 difficult to justify the cost of adjusting our machinery to
17 produce the staple requested.

18 If we could achieve higher and more consistent
19 orders for these staples, there would be no barrier to our
20 ability to produce and supply them.

21 Since 2014, we have had to lay off workers and
22 reduce hours and shifts for those workers who remain. This
23 left many of our workers underutilized. The company has
24 struggled to compete with dumped Chinese staples for years.

25 However, I am very encouraged by our experience

1 since preliminary duties on carton-closing staples from
2 China were imposed. In response to the preliminary
3 determination last November, purchasers have started to come
4 out of the woodwork.

5 We have received inquiries from large and small
6 customers regarding our capacity, prices, and product
7 ranges. In December, we received a significant six staple
8 order from a certain large customer for the first time in
9 years and if final duties are imposed, we expect to do
10 significantly more business with that customer and many
11 others.

12 Business from this single customer has a
13 potential to double our sales. However, most purchasers are
14 in a holding pattern right now. While they are calling to
15 confirm prices and inquire about ISM's ability to supply
16 large volumes, they're also waiting to see what the
17 Commission will do with this investigation.

18 ISM has the production capacity to fill all
19 potential orders from customers. As I said, we have the
20 capacity to serve all U.S. customers that are currently
21 serviced by Chinese imports. While we have operated at very
22 low capacity utilization levels throughout the period of the
23 investigation, and frequently load or frequently had
24 machines sitting idle and workers underutilized, over the
25 past couple of months, we have increased production and are

1 confident we can do more.

2 Using our current equipment and employees, we
3 believe that we could triple our current production and with
4 additional shifts easily quadruple our production. In fact,
5 due to an increased production schedule since December, we
6 have added a worker dedicated to roll staples and are
7 looking to hire two or three more employees.

8 If we receive additional business from one of
9 the large U.S. customers, we will immediately add shifts to
10 roll staple production and will add shifts for stick staples
11 shortly.

12 For too long, we have put off capital
13 investments as we could not justify the expense due to
14 persistent losses from unfair import competition. But
15 relief from dumped Chinese imports will allow ISM to invest
16 in projects to improve our factory and equipment.

17 For example, a few years ago we invested in
18 waste water treatment equipment. Unfortunately, due to
19 unfair Chinese imports while the project nearly 90 percent
20 complete, we had to postpone our final investment into that
21 project.

22 We therefore never reaped the full benefit of
23 that investment and part of the labor intensive work to
24 treat the waste water continues to be done by hand by a
25 single employee in a treatment facility built in the 1970s.

1 This process accounts for approximately 2.5 work
2 days per week. With a relatively small investment, we could
3 finish this project, which would eliminate this work and the
4 associated charges and result in greater productivity.

5 With additional investment, we will also be able
6 to upgrade the electronics on our machines, which will
7 significantly increase our efficiency. With additional
8 sales and production volumes, we can finally afford to make
9 minor investments that would greatly improve our efficiency
10 and capacity.

11 I joined ISM because I believe Mr. Farah's
12 vision for the company. Over the past five years, I've come
13 to know more about staple business than I ever thought I
14 would, to appreciate the history of ISM and the workers who
15 have many years with the company, and to admire the
16 ingenuity of the staple manufacturing process.

17 All that, pardon me, all that is now at risk
18 because of imports from China. The large and rising volume
19 of dumped, low priced imports has made it impossible to
20 compete. The only way to keep this company and this
21 industry and this domestic industry in operation is to
22 impose an anti-dumping order that restores conditions of
23 fair competition to the U.S. market. Thank you and I look
24 forward to any questions you may have.

25 MR. BUTLER: We now would like to do a short

1 PowerPoint presentation. We would like to talk about six
2 things: The domestic like production, conditions of
3 competition, volume of subject imports, adverse price
4 effects, material injury and threat of material injury.

5 Turning first to domestic like product. There
6 is one domestic like product co-extensive with the scope,
7 carton closing staples. No objection has been raised to
8 this definition of domestic like product. In reviewing the
9 six factors normally looked at by the Commission, physical
10 characteristics and uses, all carton-closing staples made
11 from the same materials -- are made from the same materials
12 and used to close paper board corrugated boxes and cartons.

13 Manufacturing facilities and processes. All
14 carton-closing staples in the U.S. are made in the same
15 facilities using overlapping employees. Process for stick
16 and roll staples is identical, except for which
17 staple-forming machine is used.

18 Channels of distribution. All carton-closing
19 staples are sold mostly to distributors.

20 Interchangeability. While limited by the
21 tools they are designed to be used in, the stick and roll
22 staples are available in the same sizes and are used
23 interchangeably to close the same types of boxes.

24 Producer and customer perceptions. Roll and
25 stick staples available for the same distributors used for

1 the same end used.

2 Price. The staff report shows an overlap
3 between stick and roll prices.

4 Turning to conditions of competition, Chinese
5 and U.S.-produced carton-closing staples are highly
6 interchangeable. Standard sizes and stapling tool
7 specifications make staples of the same size fully
8 interchangeable regardless of source.

9 Different staple manufacturers advertise their
10 products as suitable for using competitor-stapling tools.
11 As this example shows, this is a staple made by Southco for
12 a C type carton staple, and it says that it is used in the
13 ISM C series. All 11 responding purchasers reported that
14 U.S. and Chinese staples are always or frequently
15 interchangeable, with eight reporting they are always
16 interchangeable.

17 Eighteen out of nineteen responding importers
18 reported that U.S. and Chinese staples are always or
19 frequently interchangeable, with 14 reporting that they are
20 always interchangeable. The majority of purchasers reported
21 that U.S. staples are superior or comparable to Chinese
22 staples in the seven most important purchasing factors, with
23 the exception of one, price, where the U.S. product was
24 found to be inferior.

25 Fourteen of eighteen purchasers reported that

1 price is a very important factor in their purchasing
2 decisions, and most sales are to distributors and all sales
3 are on the spot market, making competition very
4 price-sensitive. Turning to the volume of subject imports,
5 the volume of subject imports from China is significant in
6 both absolute terms and relative to production and
7 consumption. Subject imports increased from 3.3 billion
8 staples in 2014 to 4.1 billion in 2016, a nearly 26 percent
9 increase.

10 Imports from China accounted for 91.5 percent
11 of all imported carton-closing staples in 2016. The 26
12 percent increase in subject imports occurred at a time when
13 domestic consumption increased only slightly, and U.S.
14 producers' share of apparent consumption declined. Chinese
15 imports seized market share at the direct expense of the
16 domestic industry.

17 The table on the following, or this table
18 shows subject imports from 2014 to 2016 and the growth. By
19 comparison, non-subject imports remained flat. Turning now
20 to adverse price effects, there has been significant
21 underselling by subject imports. Chinese staples undersold
22 the domestic product in all 60 price comparisons at margins
23 as high as 53.1 percent.

24 Prices for three of four Chinese pricing
25 products declined over the Period of Investigation. Import

1 AUVs from China fell 11.3 percent from 2014 to 2016, and
2 we've submitted extensive lost sales and lost revenue
3 allegations. Prices in the U.S. are so low that ISM has
4 been forced to endure significant losses despite some
5 declines in raw material costs.

6 Turning to material injury, for every factor
7 examined by the Commission, ISM's data shows declines or
8 loss. ISM has showed a decline in market share, capacity
9 utilization, production, U.S. shipment value, U.S. shipment
10 quantity, production workers, hours worked and wages, and
11 they have also shown a loss in operating income in every
12 year during the Period of Investigation.

13 As imports from China have risen, ISM has been
14 forced to compete with unfair pricing, resulting in lost
15 sales volume and market share. Due to declines in sales
16 volume, ISM has been forced to lay off workers and to reduce
17 hours and wages. ISM is currently operating, resulting in
18 fixed costs that are unsustainably high compared to sales
19 revenue.

20 The company has been unable to make needed
21 capital expenditures or invest in R&D. ISM has suffered
22 sustained and significant losses over the POI. Any
23 improvement in ISM's financial indicators over the POI was a
24 result of cost cutting measures. The company cannot become
25 financially viable unless it can greatly increase production

1 volumes in order to cover fixed and variable costs and
2 generate a reasonable return.

3 Turning to threat of material injury. The
4 domestic industry is highly vulnerable, and it is at risk of
5 closure if it cannot increase its sales volume. Chinese
6 producers have demonstrated their ability to gain volume and
7 market share through aggressive price undercutting. Chinese
8 producers are highly export oriented. Public information
9 indicates that numerous Chinese producers export between 60
10 and 100 percent of their production.

11 The Chinese industry's capacity has increased
12 by 24.2 percent from 2014 to 2016. The U.S. is the top
13 market for Chinese carton-closing staples. Exports to the
14 U.S. increased by 28.8 percent from 2015 to 2016, and there
15 were 11.2 percent higher in interim 2017.

16 ISM is the last remaining firm in the domestic
17 industry, and will not be able to survive in an environment
18 of unrestrained, dumped Chinese staples. That concludes our
19 direct presentation. We're happy to take any questions you
20 might have.

21 CHAIRMAN SCHMIDTLEIN: All right. Thank you
22 very much, Mr. Butler. I'd like to thank both of the
23 witnesses for being here today. We appreciate your time and
24 your testimony, in helping us understand this investigation.
25 We will start with Commissioner Broadbent this morning for

1 Commissioner questions.

2 COMMISSIONER BROADBENT: Thank you, Chairman
3 Schmidtlein. I thank the witnesses for coming today. We
4 appreciate you being here. I guess Mr. Farah, I guess the
5 public reports are saying that you filed for bankruptcy this
6 month, Chapter 11. Can you sort of discuss the immediate
7 impact that this will have on your business and production
8 operations, and then sort of give us some advice on how we
9 should consider it within the context of our injury
10 determination?

11 MR. FARAH: Maroune Farah. We filed for North
12 American Steel and Wire. ISM we didn't file, and it was
13 related to a supplier issue and some of the debtholders,
14 which we have support. Over 90 percent of the debtholders
15 support us. However, a lot of the debtholders and investors
16 have been in this for years, and there's little support to
17 continue with the company unless obviously sales and
18 profitability materialize.

19 Everyone is optimistic now about this case.
20 The activity we've seen, especially since November, and that
21 is going to be needed to get everybody on board. There is a
22 lot of support for this from the debtholders. We had to do
23 that just to reorganize the debt. The company's still
24 operating. Nothing has changed from that standpoint. It's
25 solely a debt reorganization, and the support is there to

1 continue.

2 So with an affirmative decision by the
3 Commission, there will be a lot of support for the
4 reorganization. So basically this has been a long time in
5 coming. Like we've been holding off for years and years and
6 years, and we need this. We need this to continue. The
7 investors, everyone has a belief. If you look at the
8 employees, if you look at the equipment, the company,
9 everything's there to make the staples. The only thing
10 that's been missing all these years has been sales, and
11 we've tried and tried and tried. The workers have tried,
12 everybody's tried.

13 But when you're competing against imports,
14 where there's no logic to the pricing, it's so low, there's
15 not much you can do. That's why we eventually filed this
16 case as our last chance. By seeing what's happened since
17 November, by seeing big players in the industry contact us,
18 by getting orders that we hadn't received since I started
19 this business, that gives us big hope.

20 That gives the investors big hope, that gives
21 the debtors big hope, and that's why the reorganization will
22 ultimately be successful. But this is needed. If not, it's
23 difficult to justify keep pouring money into this industry,
24 because you just can't compete with the pricing that we've
25 seen all these years, and it's really been damaging not only

1 to the investors and the debtors, but the employees as well.
2 There's a lot of pride, there's a lot of expertise that will
3 be lost.

4 That's why we've kept it going, because you
5 keep hoping the sales are going to come, the sales are going
6 to come. So we have. We have the employees. We have the
7 equipment. We've got everything. The only thing we're
8 missing is the sales. Once we get those sales, then the
9 company will really turn around.

10 COMMISSIONER BROADBENT: Yeah. I'm sorry I
11 was a little late this morning. My understanding is that
12 you bought the firm out of bankruptcy in 2009 or --

13 MR. FARAH: Yes. 2010, yes.

14 COMMISSIONER BROADBENT: And so and you said
15 this bankruptcy and reorganization has been a long time in
16 coming, so it must have been the whole time you've --
17 between the last -- how long in coming would you say?

18 MR. FARAH: Well no. Just in terms of when I
19 say that, like the debtholders. Everyone's asked, like for
20 example when you look at this Period of Investigation. So a
21 lot of the big monies are put in up front when you make your
22 investment and as you carry it along. And then as you see
23 everything going down, you have to make a decision.

24 Do you just close up and walk away and take
25 your losses, or do you decide you know what, there's

1 potential. There's still potential here. The business case
2 is sound, it makes sense. Everything makes sense except if
3 you don't get the sales, it doesn't matter what kind of
4 business case you have. You can't do anything with it.

5 So all, like even this process has taken
6 almost two years. So constantly with the investors, with
7 the debtholders saying look, you know, this will lead to
8 profitability. This will lead to a sustainable company, and
9 they're on board with that. These investors, these
10 debtholders, they believed in the company and they still
11 believe in it and they support it.

12 So the fact that, like I said, over 90 percent
13 of the debtholders support this. It will reorganize -- the
14 debt reorganization will happen in a very positive way.
15 Like I said, it hasn't affected our production in terms of
16 our ability to run the business or anything like that. So
17 it's really just a reorganization of the debt, and then away
18 we go.

19 But again, everyone is waiting and hoping that
20 we launch off the positive signs we've seen since November.

21 COMMISSIONER BROADBENT: Well when you bought
22 the company in 2009 or '10, what were your expectations at
23 that point and then how did things turn out differently?

24 MR. FARAH: The expectations were at that
25 time, that was you know just coming out of the financial

1 crisis. So you know, I came from a manufacturing background
2 and I saw a lot of great equipment, like a lot of great
3 equipment there. It's a big facility with a lot of
4 expensive equipment in there. So and the management from
5 before, during that whole financial crisis, they were under
6 duress and things like that.

7 So I thought let's buy this company, and back
8 then there was talk about people, American manufacturing
9 coming back and all those sorts of things. So I thought
10 okay, let's buy that. We have, you know, made in America
11 manufacturing, and even the basis that we made a lot of our
12 projections on back then, they deteriorated so quickly after
13 we purchased it just with the Chinese imports. Everything
14 from the steel wire and things like that, the price just
15 continued to slide, slide, slide, and during our Period of
16 Investigation slid even further.

17 So it just deteriorated, deteriorated,
18 deteriorated, and you're fighting and you're fighting and
19 you're saying we can do this, right? And then you have to
20 go back. You have to pour in more money to keep it going,
21 and you pour in more money and then you put your own money
22 in. And then it's like you're banging your head against the
23 wall, but you know what's there, and then you just can't
24 believe the prices that are coming.

25 You're hearing your customers telling you it's

1 this price, and you say it can't be. That's like, you know,
2 less than 50 percent, sometimes even lower. We can't even
3 buy the raw material for that. It just started to get worse
4 and worse and worse. And then you're left -- sometimes, you
5 know, people say why don't you just walk away?

6 You've got to fight. You fight and this is
7 why. This was the option that we had to say okay, we can't
8 just keep fighting. Let's see, you know, let's have a
9 hearing to discuss this, because keeping the manufacturing
10 in the United States should be viable. You just need a
11 level playing field to do that.

12 COMMISSIONER BROADBENT: What was the role of
13 the steel wire input in the challenges that you faced?

14 MR. FARAH: Steel from China?

15 COMMISSIONER BROADBENT: You mentioned steel
16 wire as a problem.

17 MR. FARAH: Yes, yeah. Every input from
18 China, whether it's raw. Let's start -- look at all the raw
19 materials we have. We have rod, glue, tape, everything,
20 right. So but rod is popular one people can talk about and
21 then wire. The price just slides down, down, down and it's
22 not feasible. It's a major input in our product.

23 When we -- when we are competing against
24 people who are again buying their inputs at artificial
25 prices, and we have to buy our inputs at real prices, free

1 market prices, it's a very difficult thing to compete with.

2 COMMISSIONER BROADBENT: So the -- your
3 competitors were buying wire rod at a different price than
4 you were?

5 MR. FARAH: In China, yes, yeah, a very
6 different price.

7 COMMISSIONER BROADBENT: Okay. What effect
8 did the termination of production of carton-closing staples
9 by Stanley, Black and Decker in Greenfield, Indiana have on
10 the U.S. market? I understand they moved to China?

11 MR. FARAH: They moved to China, yes.

12 COMMISSIONER BROADBENT: And they were about
13 [**] percent of the U.S. domestic production, is that right?

14 MR. FARAH: I believe so.

15 COMMISSIONER BROADBENT: [****] percent maybe,
16 yeah. Okay. What effect did that have on the market?

17 MR. BUTLER: It might be better if we answered
18 that post-hearing, if that's okay.

19 COMMISSIONER BROADBENT: Okay, sure.

20 MR. BUTLER: I think a lot of that --

21 COMMISSIONER BROADBENT: Yeah, okay. And then
22 how were you able to retain your market share during the
23 Period of Investigation?

24 MR. FARAH: A lot of them were from old
25 customers that were inherited, and the sales amount was

1 smaller. But there is, you know, there's a contingent out
2 there who, even though they were paying higher prices, they
3 wanted American product, for example, and some of it was
4 just customers, smaller customers that we had or when we
5 inherited the business.

6 So that's typically what we had basically, and
7 then -- and losses, right? Like so even we had more, when
8 we took over there were more customers and then just slowly
9 losing them.

10 COMMISSIONER BROADBENT: Right. With the
11 growth of online retailers shipping directly to people's
12 residences, is there any opportunity for growth in
13 carton-closing staple sales to that market?

14 MR. FARAH: I think there's a little bit of
15 that. There will be some of that. But I think also as you
16 see more and more manufacturing coming back, there's going
17 to be growth I think in a lot of applications, because you
18 can't use -- like staples are needed for certain things,
19 like because of weight and all those sorts of things. So as
20 a lot more manufacturing comes back, I think you'll see
21 carton-closing staple growth actually occurring.

22 COMMISSIONER BROADBENT: Okay, even though --
23 so the online retailers, the Amazons and so forth are using
24 tape and glue?

25 MR. FARAH: Yeah. Tape and glue are more

1 expensive. They're not as -- when you get into production
2 environments, they're not as friendly to use compared to
3 staples. They're not as reliable, and there's also big
4 things. There's other reasons. People want for security,
5 you know, if there's humidity, things like that, but often
6 weight is a big issue.

7 So as you see more and more manufacturers
8 coming back, parts manufacturers, all kinds of different
9 industries, I think you'll see a lot of them turning more to
10 staples.

11 COMMISSIONER BROADBENT: Okay. Thank you Mr.
12 Farah. I appreciate it.

13 MR. FARAH: Thank you.

14 CHAIRMAN SCHMIDTLEIN: Okay. So this is for
15 either Mr. Farah or Mr. Tyndall. The staff report mentions
16 a premium brand of staples called Bostitch. So I wonder if
17 you could talk a little bit about the different types of
18 staples that there are in the market. Is there a premium
19 versus non-premium brand, or are there different tiers of
20 staples, and then I'd like to understand what China is
21 bringing in.

22 MR. TYNDALL: So I guess there would be two
23 primary name brands in the industry, and it would be
24 Bostitch and ISM that go back many, many, many years, and
25 then there's knockoff brands. So there's lots of copycat

1 out there. So what you'll see is our company ISM making the
2 ISM brand staple to style, and then you'll see Bostitch
3 making their own style, and then you'll have lots of
4 companies around making copycat similar style --

5 CHAIRMAN SCHMIDTLEIN: So what is the style of
6 staple?

7 MR. TYNDALL: It's just the form factor when
8 you look at it. It's slightly different crown size and our
9 roll staple, if you look at a picture it looks like a
10 bowtie, and theirs looks a little bit flatter than that.

11 CHAIRMAN SCHMIDTLEIN: And is there a --

12 MS. SMITH: Sorry Chairman Schmidtlein.
13 Perhaps it would be easier to see what he's discussing by
14 looking at the cover of the packet here. I believe the ISM
15 staple is the one in the top corner --

16 CHAIRMAN SCHMIDTLEIN: Top left, uh-huh.

17 MS. SMITH: And that has kind of an angled
18 crown, and the one in the bottom corner is the Bostitch
19 style staple that has more of the bowtie.

20 CHAIRMAN SCHMIDTLEIN: Okay. Is Bostitch then
21 a Chinese staple that's coming in? Who makes the Bostitch
22 staple, okay.

23 MR. FARAH: Yes. It's manufactured in China
24 right now. It used to be manufactured here.

25 MS. SMITH: Although ISM makes the Bostitch

1 style staple.

2 MR. FARAH: Yeah. We also make the Bostitch
3 style staple as well.

4 CHAIRMAN SCHMIDTLEIN: So where does the name
5 Bostitch come from? Do you know?

6 MR. FARAH: It's been in the industry for
7 years and years I think.

8 CHAIRMAN SCHMIDTLEIN: Did somebody ever --
9 was that Stanley? Did they own that name originally or was
10 it --

11 MR. BUTLER: Stanley I think bought Bostitch a
12 long time ago.

13 MR. FARAH: Yeah.

14 MR. BUTLER: Their original staple company was
15 called Bostitch.

16 CHAIRMAN SCHMIDTLEIN: Oh, so there was a
17 staple company years ago called Bostitch, and they made this
18 type of staple?

19 MR. BUTLER: Yes, correct.

20 CHAIRMAN SCHMIDTLEIN: And then Stanley bought
21 them and then moved their production offshore?

22 MR. FARAH: That's right, to China.

23 CHAIRMAN SCHMIDTLEIN: Okay. So that's still
24 being brought in as a name, brand name staple?

25 MR. FARAH: Correct.

1 CHAIRMAN SCHMIDTLEIN: And are there any other
2 brand name staples in the market? ISM and Bostitch, are
3 those the two?

4 MR. BUTLER: These are just the two historical
5 brands that were out there, and so they made slightly
6 different staples. But everybody makes the same staple?

7 CHAIRMAN SCHMIDTLEIN: Everybody makes a roll
8 or a stick.

9 MR. BUTLER: Or a stick.

10 MR. FARAH: And everybody makes the Bostitch
11 style and ISM style and the different variants of each.

12 CHAIRMAN SCHMIDTLEIN: I see, okay. Do you
13 all make a Bostitch style as well?

14 MR. FARAH: Yes.

15 CHAIRMAN SCHMIDTLEIN: You do?

16 MR. FARAH: Yes.

17 CHAIRMAN SCHMIDTLEIN: Oh okay. So is there a
18 difference in function? Like what's the point of the
19 different styles?

20 MR. FARAH: It's the tools, the tools that are
21 used to put the staple into the cardboard box is what drives
22 what Staples you need. So if you buy a Stanley Bostitch
23 tool, you need to get a Stanley Bostitch style staple. If
24 you buy an ISM tool, you can use an ISM staple, and then in
25 the tooling business there's the knockoffs of both.

1 So you don't have to have necessarily the name
2 brand. You can have different competitive brands. But they
3 will either do an ISM staple or they'll do a Bostitch-style
4 staple.

5 CHAIRMAN SCHMIDTLEIN: Okay, and what makes
6 this -- so would you call these -- I'm sorry, I keep
7 bumping this. Do you call these premium staples?

8 MR. BUTLER: I think I know what you're
9 talking about in the staff report. I think that's a
10 mistake.

11 CHAIRMAN SCHMIDTLEIN: Okay.

12 MR. BUTLER: I'm not sure where that came from,
13 but we're happy to address it -- take a look at it again and
14 address it in post-hearing.

15 CHAIRMAN SCHMIDTLEIN: Okay, so you're not
16 seeing a market where there are tiers?

17 MR. FARAH: No, no.

18 CHAIRMAN SCHMIDTLEIN: Or different classes of
19 staples?

20 MR. FARAH: No, they're all interchangeable and
21 they all do the same function, effectively, at the end of
22 the day.

23 CHAIRMAN SCHMIDTLEIN: Okay, well, that's
24 helpful. And so the imports are comprised of both the
25 ISM-style staple, the Bostitch-styled staple.

1 MR. FARAH: Yes.

2 CHAIRMAN SCHMIDTLEIN: And that relates to the
3 roll-type, right. And so then there's the stick-type,
4 right, I assume?

5 MR. FARAH: Yes.

6 CHAIRMAN SCHMIDTLEIN: Is there an ISM-style
7 stick or no, it's just the --

8 MR. FARAH: Well, there's ISM -- maybe Ross can
9 talk about it.

10 CHAIRMAN SCHMIDTLEIN: ISM brand, but is there a
11 --

12 MR. TYNDALL: Yeah, the only differentiator
13 between the ISM brand and the Bostitch brand is -- I think
14 it's a 30 seconds in the crown size.

15 CHAIRMAN SCHMIDTLEIN: And say the first part
16 again.

17 MR. TYNDALL: Is the 30 second. It's a slight
18 different dimension in the crown.

19 CHAIRMAN SCHMIDTLEIN: Okay, I see. And again,
20 is that driven by the type of tool that you have.

21 MR. TYNDALL: Exactly.

22 CHAIRMAN SCHMIDTLEIN: And what type of staple
23 is going in. Okay.

24 MR. TYNDALL: Yes.

25 CHAIRMAN SCHMIDTLEIN: How do you forecast what

1 type you're going to make, given that there are all these
2 different tools out there, right? Is this based on -- and
3 you're selling on the spot market to distributors.

4 MR. TYNDALL: It's definitely difficult. We try
5 to get to get our distributors, our customers to forecast
6 their needs in advance as much as we can. Unfortunately,
7 the behavior is such that they'll call us up on the same day
8 and they expect a shipment to go out the same day or next
9 day. So as much as we try to get folks to work with us and
10 we try to anticipate the volumes and do the best we can, the
11 majority of the behavior is still do you have, yes/no, and
12 if not they'll go elsewhere. So we've got some people
13 working with us, but not everybody, clearly.

14 CHAIRMAN SCHMIDTLEIN: Do you look at sales of
15 tools, I guess, or tracking like how many of the different
16 types of staple tools being sold.

17 MR. FARAH: Yes, in terms of -- I think to
18 answer your question in terms of planning and forecasting
19 the reason why it's so hard is if you had consistent sales
20 -- because the customers often, like Ross said, they want it
21 now or they want this or that, but still, you can build that
22 into your production planning eventually.

23 The problem comes when you know you build up
24 inventory and then it sits for months because the sales are
25 going down or you can't plan for that. So if we had

1 increased sales, then you can get all those efficiencies.
2 You can have more in terms of inventories and things like
3 that and you can respond quicker to the spot market, so
4 that's some of the challenges we have just because of the
5 low sales volume right now.

6 CHAIRMAN SCHMIDTLEIN: So speaking of different
7 types and keeping an inventory and so forth, in the
8 preliminary conference, Mr. Tyndall, I think you talked
9 about that there are occasions when ISM doesn't provided --
10 doesn't respond to a sale, I guess, because it's a low
11 volume and it doesn't make sense for you to adjust the
12 equipment in order to run that volume and so I want to get a
13 little more information on that in terms of how often that
14 happens. What do you all consider to be a low volume sale?

15 MR. TYNDALL: I think when that happens to
16 fleet, that would be -- you know a customer would call.
17 Maybe in a whole year you might sell, I don't know, 100
18 cartons, maybe or maybe 200 cartons of a particular staple.
19 So you'd have to keep the inventory basically, say, for
20 year, right, and then slowly pick at it. They don't call
21 and ask for it all at once. You might get a whole bunch of
22 different customers asking for small amounts of it.

23 CHAIRMAN SCHMIDTLEIN: Right.

24 MR. TYNDALL: So then it's difficult to justify
25 keeping a big amount and then adjusting the machines just

1 for such a small run and you don't even know when they're
2 going to take it, so that's the situation where that happens
3 typically, but it's very, very low volume. We can still do
4 it, and like I said, we would plan to do that in the future.
5 If we can keep those types of inventories in place, if we
6 knew our production runs, we could schedule a lot better,
7 and then we would do that for sure.

8 CHAIRMAN SCHMIDTLEIN: Does it happen very often
9 that you get these types of requests?

10 MR. TYNDALL: Not that often.

11 CHAIRMAN SCHMIDTLEIN: Not that often.

12 MR. TYNDALL: I mean there's only so many SKUs,
13 but we try to focus on the big volume ones, the ones that
14 we're anticipating are going to move the most.

15 CHAIRMAN SCHMIDTLEIN: Okay.

16 MR. TYNDALL: Right, but it does happen.

17 CHAIRMAN SCHMIDTLEIN: It does happen?

18 MR. TYNDALL: Where we've had to cancel an order
19 there, for sure.

20 CHAIRMAN SCHMIDTLEIN: Okay. Alright, let me
21 shift gears just real quick and talk about -- I think
22 Commissioner Broadbent mentioned the steel wire rod and my
23 question has to do with the connection between the price of
24 that and the price of your product. Is there a connection?
25 Do you see the price of your product moving when the price

1 of steel wire rod moves?

2 So in other words, do distributors expect that
3 -- you know they're following the prices of steel wire rod
4 and when it's dropping they're going to expect that your
5 spot -- given that you sell on the spot market that --

6 MR. TYNDALL: From our existing customers?
7 We've actually -- you know we've eaten or we've accepted rod
8 increases because we can't increase the prices any more, so
9 that just increases our losses, basically. And the end --
10 sorry, the distributor, generally, they don't bring up that
11 level of detail. That's more from our side. Where I think
12 they benefit is on the China side. That's really where they
13 see -- the ones that don't deal with us that's where they
14 see the benefit.

15 CHAIRMAN SCHMIDTLEIN: Okay, but you don't have
16 them expecting a price decrease when the price of wire rod
17 is going down?

18 MR. TYNDALL: No.

19 CHAIRMAN SCHMIDTLEIN: They're not quoting that
20 to you?

21 MR. TYNDALL: No.

22 CHAIRMAN SCHMIDTLEIN: Okay, okay, my time is
23 up. Vice-Chairman Johanson.

24 VICE HAIRMAN JOHANSON: Thank you, Chairman
25 Schmidtlein. And I would like to thank all of you for

1 appearing here today.

2 Commissioner Schmidtlein brought up a few
3 minutes ago the whole issue of branding and Bostitch and I
4 want to talk a bit further on that. In general, what impact
5 has private label pricing for Bostitch had on prices for
6 branded products, generally? It's a well-known name. I
7 mean even I knew about it before the hearing.

8 MR. FARAH: Right. To answer that question, our
9 experience has been that -- and Ross, you can jump in on
10 this, but everyone knows Bostitch, but effectively, right
11 now when they buy the staples there are certain people who
12 will buy Bostitch because they bought for years and things
13 like that.

14 And again, I'm not 100 percent sure, but in
15 terms of what we see in the market when it comes to buying
16 these staples they're so interchangeable now that the
17 branding really doesn't have as much of an impact on -- as
18 much of an impact on the market. Everything's become
19 interchangeable, so other than customers probably who've
20 known it for years and years and years because it's been
21 around for so long, I think people accept that everything,
22 whether it's ISM-made Bostitch or it's another Chinese
23 supplier made Bostitch they're perfectly comfortable using
24 that staple.

25 VICE HAIRMAN JOHANSON: So you don't think the

1 reasons these -- that certain companies would stick with
2 Bostitch is due to perceived quality issues?

3 MR. FARAH: There might be some biases if
4 someone's been buying it for 20 years and they love Bostitch
5 staples, but I think -- and I'm sure they've probably lost
6 market share as well, but I think people now that everyone
7 manufacturers these staples and everything's
8 interchangeable, so they go for price a lot of times.

9 But again, I'm sure people who've been with
10 Bostitch for many years there's going to be a contingent --
11 just like with ISM who stick with us who will continue to
12 buy from them.

13 VICE HAIRMAN JOHANSON: Okay, thank you for
14 your response, Mr. Farah.

15 As identified on page 8 of the Petitioner's
16 pre-hearing brief, U.S. consumption increased from 2014 to
17 2016. This increase, however, was not linear, and this can
18 be seen in the staff report, Table C-1. Could you please
19 address what occurred in the U.S. market that lead to a
20 decrease in consumption from 2014 to 2015 and then a
21 subsequent rise in 2016? And in your experience, what was
22 driving demand trends during the period of investigation?

23 MR. BUTLER: They don't have access to the data
24 on the consumption.

25 VICE HAIRMAN JOHANSON: Okay.

1 MR. BUTLER: I don't know if they have any
2 comments on any changes in demand. Maybe we can try and get
3 you something.

4 VICE HAIRMAN JOHANSON: If you could do that in
5 the post-hearing brief, I'd appreciate it.

6 MR. BUTLER: Sure.

7 VICE HAIRMAN JOHANSON: The scope of this
8 investigation covers both coated and uncoated carton-closing
9 staples. To your knowledge, are any uncoated carton-closing
10 staples sold in the United States?

11 MR. FARAH: To my knowledge, no.

12 VICE HAIRMAN JOHANSON: Why would one buy
13 coated as opposed to uncoated staples; is that due to rust
14 concerns?

15 MR. FARAH: Yeah, the coating is for rust
16 concerns.

17 VICE HAIRMAN JOHANSON: Okay. Are you familiar
18 with coated at all? I just kind of curious about --

19 MR. FARAH: Coated? Yes.

20 VICE HAIRMAN JOHANSON: Uncoated.

21 MR. FARAH: Uncoated? I've seen it done before,
22 but in our market I haven't seen it.

23 VICE HAIRMAN JOHANSON: Okay, thanks for your
24 responses. We've been hearing a lot about the Section 232
25 proclamation of the President regarding imports of steel.

1 What impact, if any, do you expect this proclamation will
2 have on the U.S. staple-producing industry?

3 MR. FARAH: It's hard to tell because I'm not
4 sure exactly what the proclamation -- the final form of it
5 is going to be, who's going to be exempt, who's not going to
6 be exempt. I think that'll be an issue as well. So until
7 really I get details, I can speculate. There's different
8 things. There's the raw material that comes in. There's
9 finish products that come in, so it really would depend on
10 what the final Order is going to look like, which countries
11 are exempted, but I would hope that if there are tariffs put
12 on and the domestic industry gets healthier, we'll have a
13 stable supply. We'll be able to -- you know we have a
14 healthy, competitive rod industry here in the United States.
15 And if they can start filling up their capacities more and
16 things like that, then I think it'll benefit everybody.
17 It's just getting rid of fantasy pricing and unfair or
18 non-market pricing. That's the thing that disrupts
19 everything.

20 VICE HAIRMAN JOHANSON: Thanks, Mr. Farah.
21 Have there been any significant changes since January 2014
22 in the production technology for carton-closing staples?

23 MR. FARAH: No, none.

24 VICE HAIRMAN JOHANSON: Thanks. Could you
25 please discuss ISM's integrated production model and the

1 extent to which its current production volumes are
2 consistent with that model?

3 MR. FARAH: So the process?

4 VICE HAIRMAN JOHANSON: Your integrated
5 production model.

6 MR. FARAH: Yes, so we still run an integrated
7 production model, so from the raw material from the rod all
8 the way to the finished staple, so we still -- that's how we
9 still make the staple. I don't know if I'm answering the
10 question properly.

11 VICE HAIRMAN JOHANSON: How has that impacted
12 -- so you've been able to maintain that despite the low
13 prices?

14 MR. FARAH: Yes, but not in an efficient because
15 it's really -- it's quite an involved process when you're
16 vertically integrated like that. And ideally, as Mr.
17 Tyndall talked about the furnace, for example, and drawing
18 the wire. What drawing the wire? All those types of things,
19 ideally, if you have the proper demand you can run that in a
20 continuous, efficient manner. So where it impacts us is
21 when we have low volumes and you have to turn on the
22 furnace and you have to do things sometimes in batches and
23 things like that. So we're not always operating in ideal
24 conditions, but we still have to do all those processes to
25 make the staple.

1 VICE HAIRMAN JOHANSON: Okay, thank you. Have
2 you all seen any post-petition effects from this
3 investigation?

4 MR. FARAH: Yes. In terms of when the November
5 Order first came out, preliminary Order, we started hearing
6 from customers that we hadn't heard from in years. Everyone
7 started to become concerned. So we have a lot of
8 activities. People started asking us about capacities, what
9 can we do, our product line, things like that. Some of they
10 stated they still have product on the water. They still
11 have orders -- manufacturing orders that they made and we
12 suspect a lot of them stuffed the system before the Order
13 came out so that they had product on hand, but we're seeing
14 an acceleration of that slowly where everyone's -- we got
15 orders that we would've never received before because of
16 that and everyone's kind of just holding on.

17 You know another customer another ship from
18 China just came and they said they're going to use that
19 inventory, but in the future they want to buy from us. One
20 customer started -- a large customer started buying roll
21 staples from us, so there's been a lot of positive impact
22 and a lot of things, but everything's just kind of up in the
23 air because they also -- they've been working with these
24 Chinese suppliers for some of them years and years and years
25 and they don't want to disrupt their relationships or

1 supplies until they're certain about what's going to happen
2 and what the impact's going to be.

3 VICE HAIRMAN JOHANSON: Okay, thanks, Mr.
4 Farah.

5 Do you all expect the potential changes in raw
6 material costs, such as carbon wire rod prices that would
7 affect prices for carton-closing staples?

8 MR. FARAH: Do we expect them to go up?

9 VICE HAIRMAN JOHANSON: Right.

10 MR. FARAH: We've seen actually during the
11 period of investigation the price actually it hit a trough
12 on the raw material side, but it's gone back up. I don't
13 expect there to be too much of an increase in the raw
14 material price, but it has gone up. Quite recently, it's
15 gone up -- it's made a significant move in the last six
16 months to a year, since August of last year, but it's coming
17 off the trough. So we are seeing rising raw material
18 prices, but we don't expect that to impact our -- as long as
19 we get the sales, we don't expect that to impact us as
20 greatly as it would've in the past with much lower sales.

21 VICE HAIRMAN JOHANSON: Right. Okay, thank you
22 for your responses. My time is about to expire.

23 CHAIRMAN SCHMIDTLEIN: Commissioner Williamson.

24 COMMISSIONER WILLIAMSON: Thank you, Madame
25 Chairman. I want to thank all the witnesses for coming

1 today. Mr. Butler, I particularly want to thank you for
2 this packaging of the witnesses' statements. It's very,
3 very helpful, so I appreciate that very much. We've been
4 urging people who have appeared to do that for years, so
5 thank you.

6 Continuing on with Commissioner Johanson's
7 question, I was just wondering about wire rod and the role
8 of imports of wire rod versus domestic produced. I'm sure
9 there must be some Orders on wire rod, but does that play a
10 role at all in terms of the cost of the raw material for
11 you?

12 MR. FARAH: Well, our Chinese competitors, for
13 example, there are wire rod Orders on China. So what
14 basically happens is China can't sell wire rod to the United
15 States -- well, they can, but at a very high tariffs. So we
16 pay a normal market price here in the United States and
17 China, for example, they pay a very crazy price for the rod.
18 While they do kind of get around any kind of rod order by
19 manufacturing the staple, what they've been doing for
20 years, manufacturing the staples in China and then sending
21 them here to the United States using dumped rod,
22 effectively. So that's where -- we pay market prices,
23 effectively, and they can get around Orders by just -- you
24 know they use dumped products in staples and then ship the
25 staples here.

1 COMMISSIONER WILLIAMSON: Okay. Thank you. I
2 was just wondering about that relationship.

3 We had a case on packaging tape, which was quite
4 fascinating, so I want to go back and ask you about this
5 competition between staples and packaging tape and I guess
6 your demand for your product going forward. And you talked
7 about, I guess, for heavier weight applications the staples
8 are better than tape. I assume if somebody's shipping
9 refrigerators the cartons got staples rather than tape.

10 MR. FARAH: Yes. The appliance industry uses it
11 quite a bit, windows and doors. There's a lot of
12 applications where tape isn't practical to use. And then
13 often in environments where you have high production numbers
14 tape isn't ideal often -- and glue as well at high, high
15 speeds. The cost is more. And staples, typically, they can
16 hold a lot more weight in the box, so heavy -- automotive
17 manufacturers, for example, where they have heavier spare
18 parts and things like that after market -- all kinds of
19 industries like that, so where the staple is used.

20 COMMISSIONER WILLIAMSON: Okay, because we had
21 cases on cans last week, so it's a little related. Okay,
22 good. So in a sense, you're not worried about tape
23 replacing your product.

24 MR. FARAH: No, there has been a little bit in
25 the past, but I actually think that stabilized, generally,

1 over the years. And I think as -- like I said, as more and
2 more manufacturing comes back, you'll start to see, I think,
3 more and more staples getting used. Tape is going to grow
4 as well, of course, but they both have applications. So as
5 long as manufacturing and the economy continues to improve,
6 I think you'll see both continue to grow.

7 COMMISSIONER WILLIAMSON: Okay.

8 Okay, what about other uses for large staples
9 than just carton sealing? I once had a do-it-yourself
10 project at home putting in some flooring and remember using
11 staples there. And I assume there's not that much
12 different, is -- do you make other types of staples? Is
13 that a different industry?

14 MR. FARAH: That's a different -- that's the
15 wood to wood staple market.

16 COMMISSIONER WILLIAMSON: Okay.

17 MR. FARAH: So those you can use to I think
18 flooring and things like that. We focus -- our main focus
19 is just the carton-closing industry, which are different
20 staples compared to those ones.

21 COMMISSIONER WILLIAMSON: Okay. Now there's no
22 companies that are in both at least not in the U.S. if
23 you're the only ones here?

24 MR. FARAH: I don't -- in U.S., I don't know if
25 there's wood to wood staple -- I don't -- I can't be 100

1 percent sure of that. I don't think there are, but I could
2 be wrong on that.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. FARAH: I think most of all that type of
5 product comes from China.

6 COMMISSIONER WILLIAMSON: Okay, good. What
7 about your firm sells the machines -- and do any of your
8 competitors do that?

9 MR. FARAH: Yes. So they, you know, everybody
10 does -- most of them will like Bostitch sells or
11 distributors will sell tools as well. We sell tools to our
12 distributors as well. So and many of the tools are
13 interchangeable as well.

14 COMMISSIONER WILLIAMSON: Okay. When you talk
15 distributors, who are we talking about, some examples? I
16 assume big box stores might be one set of distributors, but
17 are there other --

18 MR. FARAH: Well, they're typically, there's --
19 it could be a catalog company. It could be packaging, you
20 know, packaging specialist companies. We have lots and lots
21 of them.

22 MR. TYNDALL: Yeah, they're small -- sorry.
23 Ross Tyndall. There are big catalog companies on line name
24 brand catalog companies in the thousands and tens of
25 thousands of products.

1 COMMISSIONER WILLIAMSON: Oh, like Uline, stuff
2 like?

3 MR. TYNDALL: That might be one of them, yes.

4 COMMISSIONER WILLIAMSON: Okay.

5 MR. TYNDALL: Yeah, those types of companies --

6 COMMISSIONER WILLIAMSON: Okay.

7 MR. TYNDALL: -- are heavy in the package --
8 servicing the packaging industry.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. TYNDALL: So there are those specialists
11 that only do kind of packaging and then there are those ones
12 that like a Uline that are much broader than just packaging,
13 right.

14 COMMISSIONER WILLIAMSON: Okay. Okay.

15 MR. TYNDALL: Correct.

16 COMMISSIONER WILLIAMSON: Now I have an idea.

17 MR. TYNDALL: Yeah.

18 COMMISSIONER WILLIAMSON: Good. Okay and how
19 important is this competition between different of the
20 tools? I mean, do you sell -- do people sell the tool and
21 then expect their staples to go along with -- I mean, do
22 they -- is there a competition like my tool is better than
23 your tool?

24 MR. TYNDALL: There is. There is. I mean,
25 maybe back to people's love of one particular our style or

1 the Bostitch style, there's a significant investment in the
2 tools. And ISM has the -- if not the best, certainly you
3 know, tied for the best reputation in the market for our
4 tooling and that's what people remember. And we have tools
5 out in the marketplace that have been, you know, 40, 50
6 years in production and just need a little bit of
7 maintenance to keep it going.

8 COMMISSIONER WILLIAMSON: Okay.

9 MR. TYNDALL: So it is an important -- there is
10 competition, but once a customer usually makes an investment
11 in a tool and as long as it works well, like you know, our
12 tools do not market, then they're usually committed to that
13 style of staple.

14 COMMISSIONER WILLIAMSON: Okay. And I guess
15 there's a difference between the tool that you might use in
16 a company that only maybe seals a few boxes an hour as
17 opposed to the cannery that's --

18 MR. TYNDALL: Absolutely, absolutely. So
19 there's your, you know, you can get them both hand actuated
20 or air actuated or pneumatic. And typically, when you're
21 building the blocks, you know, you put a couple staples and
22 the bottom to it's usually maybe a foot bottom or a hand and
23 you'll make your boxes. Then once the product's in there,
24 you usually using a -- like a role staple machine because
25 you can get it done much quicker once the bottom's closed

1 you go by nickname.

2 COMMISSIONER WILLIAMSON: Yeah.

3 MR. TYNDALL: So the tools that are using, the
4 rolls, you're doing a lot more boxes per hour. And then on
5 the high end, you might buy a tool head that would be used
6 in, you know, in a manufacturing process like an assembly
7 line where the product's coming down maybe bottles or what
8 have you. And the assembly line is automatically closing
9 that carton at a very fast pace. So that's where you want
10 your 4- or 5,000 roll staples all loaded up and very few
11 change overs with that, so.

12 COMMISSIONER WILLIAMSON: Now is the competition
13 between your company and the imports kind of similar on this
14 whole line of different types of tools?

15 MR. TYNDALL: Yes. I mean, the customer at the
16 end of the day drives the need for which particular tool
17 they're looking for. And then they have all sorts of
18 different manufacturers to choose from as far as tools. And
19 then once you made the investment in the tool, you can
20 choose all sorts of different suppliers of a very like
21 staple.

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. TYNDALL: Does that answer that your
24 question?

25 COMMISSIONER WILLIAMSON: Yeah, and it's not

1 like the imports have certain niches and domestic production
2 has another niche?

3 MR. TYNDALL: No.

4 COMMISSIONER WILLIAMSON: Okay. Oh, so we have
5 -- we do see that in some industries. That's why I was --

6 MR. TYNDALL: Got it.

7 COMMISSIONER WILLIAMSON: -- asking that
8 question. Thank you. Let's see. Okay. I think that's all
9 the questions for right now. Thank you.

10 MR. TYNDALL: Okay.

11 CHAIRMAN SCMIDTLEIN: Commissioner Broadbent?

12 COMMISSIONER BROADBENT: Thank you. Excuse me.
13 At one point, the U.S. had an order an imports of staples
14 from Sweden. And that was terminated because of lack of
15 domestic industry participation. Can you explain what has
16 happened in U.S. market that accounted for this and why we
17 continue to see Swedish staples in the U.S. market today?
18 Mr. Butler?

19 MR. BUTLER: (microphone was off.)

20 COMMISSIONER BROADBENT: We can't hear you,
21 sorry. Yeah?

22 MR. BUTLER: I'm sorry. We can address that
23 post-hearing, but as I recall, the -- that they pulled out
24 after very quickly, but they're still a Swedish maker of
25 staples and there's some imports from Sweden, but that --

1 they were no longer the issue after I think a while. They
2 weren't the imports of concern. Is my understanding of the
3 domestic industry time.

4 COMMISSIONER BROADBENT: Okay. So the domestic
5 industry thought about raising a concern, but decided not
6 to?

7 MR. BUTLER: That was my understanding.

8 COMMISSIONER BROADBENT: Yeah.

9 MR. BUTLER: ISM wasn't involved in that case,
10 right?

11 MR. FARAH: From the 80s?

12 MR. BUTLER: '82.

13 MR. FARAH: Oh, this is from 1980s?

14 MR. BUTLER: Yeah.

15 MR. FARAH: Yeah, I think ISM at the time did
16 that.

17 MR. BUTLER: Sorry, we'll go back through it. I
18 haven't read it since the prelim, but we can give you a
19 response.

20 COMMISSIONER BROADBENT: Okay. Mr. Tyndall, I
21 have a naive question. Why are you a management consultant
22 and not an employee of ISM?

23 MR. TYNDALL: I was doing management consultant
24 business development and that's the role that Maroune needed
25 me to come down and do for the company. I mean, that's --

1 that was my experience. And we had a relationship together
2 and he needed somebody in butler that he could trust and
3 help grow the -- you know, grow the organization.

4 I wear a lot of different hats. It's a small
5 company. And so I guess my experience matched up with his
6 needs.

7 COMMISSIONER BROADBENT: Do you work for other
8 companies?

9 MR. TYNDALL: No, I solely work for this
10 company.

11 COMMISSIONER BROADBENT: Okay, so you're sort of
12 an LLC that works -- I mean, how is your business
13 structured?

14 MR. FARAH: Well --

15 MR. TYNDALL: Wholly owned.

16 MR. FARAH: Yes.

17 MR. TYNDALL: Yeah. Independent contractor, but
18 I just work for Maroune.

19 COMMISSIONER BROADBENT: Okay. Good, thank you.
20 I appreciate that.

21 MR. TYNDALL: Okay.

22 COMMISSIONER BROADBENT: Mr. Farah, when you're
23 filing an action like this and sort of then you do the
24 bankruptcy filing, how does that -- what's the discussion
25 with the judge and do you have to kind of lay out what

1 you're paying for the case and what you expect to -- the
2 results to be? What is the discussion on the pending trade
3 remedy case when you go into a chapter 11 proceeding?

4 MR. FARAH: Yeah, we've just started with that,
5 but we've had, you know, talks with our attorney about that.
6 And again, basically there's two -- there's -- they're
7 basically seen as the company running -- like we're
8 supporting the company still. There's money still --
9 because the company operates on loans because we're not
10 making money.

11 COMMISSIONER BROADBENT: Right.

12 MR. FARAH: So just because of the bankruptcy,
13 that didn't stop. We're still giving loans to the company.
14 We're still getting loans for the company.

15 So really, in the grand scheme of things, it's
16 really going to -- at the end, be up to the debt holders
17 effectively.

18 COMMISSIONER BROADBENT: Yeah.

19 MR. FARAH: And as I mentioned, all those debt
20 holders over 90 percent support the reorganization of the
21 company. They want to see a positive reason to continue to
22 support the company as a viable entity. And when you do
23 numbers and you say look, if our -- if we have these sales,
24 the company's going to be profitable, everyone's happy.

25 So it's not a situation where if we get these,

1 you know, if we get these sales, the company's still going
2 to have financial problems, because no one's in for that any
3 more. It's been so many years.

4 So everybody's very positive about this. So
5 everybody is very interested to see what happens because
6 again, you know, we keep these people apprised. So
7 everyone's seen what's happened since November, the
8 increased activity and things like that. And when you have
9 that, everyone's like it's a good business or it's a
10 business that can grow, survive. And once you have profits,
11 you can do a lot of other things, right? Research and
12 development, all kinds of things that when you're
13 struggling, you have to really conserve cash just to keep
14 things going basically.

15 So this case in the context of the
16 reorganization can have a very positive impact on that, very
17 positive impact on that.

18 COMMISSIONER BROADBENT: Okay. Mr. Butler, if I
19 think there's evidence in the staff report that a firm
20 purchased Chinese product because ISM was not able to supply
21 their demand. Should that be considered a lost sale?

22 MR. BUTLER: I believe that was out of the
23 period of investigation, as I recall. Wasn't it?

24 COMMISSIONER BROADBENT: Well, this was for --
25 if it was true, should it be considered a lost sale?

1 MR. BUTLER: Probably not. They said they
2 couldn't supply -- I can't remember the facts of it, but as
3 I recall, they said they couldn't supply it. And so it
4 wasn't as if they were a customer that was lost. I don't
5 believe it was an ISM Customer. They --

6 COMMISSIONER BROADBENT: But they came to ISM
7 and asked for the product and ISM couldn't supply it.

8 MR. BUTLER: I -- if it was because an
9 inventory, which has like as we said earlier has been an
10 issue, then not -- or ISM not being able to keep the
11 inventory they need, I would probably say no, it was
12 probably not a lost sale.

13 COMMISSIONER BROADBENT: On what basis?

14 MR. BUTLER: On what basis? Because I don't
15 think ISM could have actually done the sale. I mean, they
16 lost it in the sense that they decided not to take it. I
17 mean, they could have taken it and they decided not to take
18 it because they decided not to produce the product.

19 COMMISSIONER BROADBENT: Okay. Witnesses for
20 ISM have testified at the preliminary conference that
21 exports to Mexico have helped mitigate losses in domestic
22 shipments. Please discuss the market and trends in export
23 shipments since 2014 both in terms of quantity and value?

24 MR. FARAH: Should I answer that? So again,
25 when you're not doing well in the domestic market, you're

1 looking for other markets. So we looked to Mexico. And we
2 developed a customer through a relationship down there. And
3 we started to sell to that customer, which is good and bad
4 because it's one customer and it's very risky and it's
5 subject to a lot of things. So we did do that and our
6 exports were rising to them.

7 Then the customer down there -- they're also
8 receiving Chinese imports. So China's flooding everywhere
9 basically. So basically, we become uncompetitive at that
10 point. And there's also a strong desire from the main
11 customer down there that was purchasing this stuff to have
12 it produced in Mexico as well.

13 So basically, we still ship very small
14 quantities of those staples down, but we for now we're
15 hanging on to the -- we ship them staple wire instead right
16 now. So that's basically -- the Mexico market, that was the
17 main customer. There was some other smaller customers that
18 we were sending to. But again, China competition down there
19 has made it very difficult for us to ship the product down
20 there.

21 COMMISSIONER BROADBENT: So earlier in the
22 period of investigation, you were exporting staples, but now
23 you're just exporting the wire?

24 MR. FARAH: That's right, for now and we'll see
25 what happens.

1 COMMISSIONER BROADBENT: Okay. And you said
2 that it was kind of a risky situation. It was subject to a
3 lot of things. What kind of things?

4 MR. FARAH: Well, not risky in the sense that
5 when you're dealing with one customer --

6 COMMISSIONER BROADBENT: Yeah.

7 MR. FARAH: -- and a big customer, then and
8 that's the majority of or a big chunk of the export sales,
9 you're subject to and it's a different country. You're
10 subject to whatever happens, you know, again, market forces
11 down there with China for example. Or it could just be a
12 competitor or something -- some other reason why they want
13 to purchase from someone because it's not a long-term
14 contract. It's not anything like that. So there's always a
15 risk when you have just one customer dominating your exports
16 for example or a big part of your exports.

17 COMMISSIONER BROADBENT: Okay. Mr. Butler,
18 could you tell me sort of the Chinese export profile of
19 subject imports? It looked to me from the staff report that
20 they -- over the period of investigation, they kind of
21 reduced their sales domestically and just started selling a
22 lot more to the U.S., pulled back from some other markets,
23 sent more here. Is that correct?

24 MR. BUTLER: I think that's correct. I will say
25 they did increase here significantly and we became a larger

1 share of their exports. I don't recall exactly what it was
2 in the domestic market, but I thought it was more flat.

3 COMMISSIONER BROADBENT: In the domestic market.
4 Okay.

5 MR. BUTLER: Is --

6 COMMISSIONER BROADBENT: I just read it quickly
7 and I was trying to remember. Okay. Well, thank you very
8 much. I appreciate it.

9 CHAIRMAN SCHMIDTLEIN: All right. I have a
10 couple questions, but one I want to -- I guess I want to try
11 to understand the prior conversation you had with
12 Commissioner Broadbent about the lost sale. I mean, I guess
13 I'm not sure, have the record memorized, but was there --
14 are there lost sale allegations where the answer was that it
15 -- that ISM had turned down the sale because they couldn't
16 supply it out of inventory because they didn't have the
17 inventory?

18 MR. BUTLER: I don't -- I'd need to look at our
19 lost sales, but I don't believe there was one on there where
20 we reported that because we couldn't service it. And the
21 issue here was, if I understood commissioner Broadbent's
22 question, there was something in the staff report about
23 somebody reported that they were not able to get what they
24 needed from ISM and so had to go to another vendor. And my
25 -- her question, I believe, was just asking me if I thought

1 that is a lost sale.

2 I mean, while it's -- there is harm to the
3 domestic industry, I believe there, because they obviously
4 aren't able to keep the volume they need in order to do the
5 inventory -- to have the -- hold the inventory they may need
6 for particular sales.

7 I said I didn't think that was necessarily a
8 lost sale because they had said we can't do it. We can't
9 make the sale right now. It's not in our inventory.

10 CHAIRMAN SCHMIDTLEIN: Because you make almost
11 all your sales out of inventory, right?

12 MR. BUTLER: Most of the sales are made out of
13 inventory.

14 CHAIRMAN SCHMIDTLEIN: And --

15 MR. BUTLER: And so if there's certain smaller
16 SKUs, that they can't keep in inventory, it's difficult for
17 them to make those sales. So they focus on the larger SKUs
18 that they can make.

19 CHAIRMAN SCHMIDTLEIN: Okay, well, that's what I
20 just wanted to make sure I understand, but you are arguing
21 that the imports have had a adverse effect on your ability
22 to maintain inventory?

23 MR. BUTLER: Of course, yes.

24 CHAIRMAN SCHMIDTLEIN: Okay.

25 MR. BUTLER: That is the injury, but I don't

1 know if that's the same thing as a lost sale.

2 MS. SMITH: That's great. And we have included
3 numerous other, you know, lost sales and lost revenue
4 allegations, but you know, it's our belief that that one is
5 not that particular instance was not one of them.

6 CHAIRMAN SCHMIDTLEIN: I see. Okay. Okay,
7 speaking of the lost sale, lost revenue allegations, in the
8 staff report, we don't have any purchasers confirming the
9 reduction in prices. And so one question I had was with
10 regard to the argument about price depression. What would
11 you suggest the Commission rely on in terms of making a
12 finding that imports have depressed prices, the connection
13 between -- I know I see prices going down in imports. So --

14 MR. BUTLER: Yeah, and I think in this case,
15 it's somewhat difficult. I mean, obviously, we don't need
16 price depression, but the underselling is significant, but
17 with this case, because of what ISM's had to do, which is
18 maintain their prices, you haven't really necessarily seen
19 that with their prices going down as you have with the
20 Chinese.

21 So I think as we say in our brief, I think
22 there's some evidence of price depression, but it is
23 difficult to basically confirm that price depression when
24 you don't see ISM's prices necessarily going down.

25 CHAIRMAN SCHMIDTLEIN: I mean, have you had

1 distributors quoting Chinese prices to you to leverage down
2 prices on the spot market that you're trying to make --
3 seems that you're trying to make?

4 MR. TYNDALL: Ross Tyndall. Sometimes when the
5 -- if the price is close, there's a lot of -- actually
6 distributors that we talk to, that are out buying from the
7 import distributors. So it's kind of like they're getting
8 twice the mark up.

9 So in those cases, the prices may be close, and
10 somebody will say, well, can you, you know, meet my price
11 kind of thing, or can you do better? And where we've had
12 the policy of where we've kept our prices firm.

13 And then, you know, for as Mr. Farah alluded to
14 and stated, a lot of the pricing feedback that we got, we
15 thought -- I mean, customers lie all the time, but we
16 thought the prices they were quoting were just flat out
17 wrong, because we couldn't -- there's no way they could be
18 obtaining delivered cartons, staples for those prices.
19 There's no way we could match that. I mean, we just thought
20 they're just flat out just trying to discount our pricing,
21 get us to move.

22 And we couldn't do anything about those prices,
23 so most often, they just laugh at us or just go, no, don't
24 bother calling.

25 MR. TYNDALL: I mean it was that drastic,

1 right.

2 MR. FARAH: But basically I think the
3 preference of a U.S. buyer, they would like to buy
4 domestically if they could, because okay, they want to
5 support the American manufacturing. But it's also in their
6 operations if they have a closer supply. But I think if all
7 things were equal, they would definitely purchase, prefer to
8 purchase from a domestic supplier.

9 So the fact that -- and there's a
10 conversations, and like we -- you know, people are telling
11 us prices. Like you know, as low as -- like less than 50
12 percent of what we're selling it for, and that's kind of
13 confirmed. You know, we hear that from different people.
14 But it's also confirmed from what you see on all the Chinese
15 websites or getting a quote from there.

16 Just crazy, crazy pricing, and I think that,
17 that corroboration with what we were hearing and seeing, you
18 know. I think that lends credence to what we were seeing in
19 the market, and basically confirmed a lot of what we were
20 getting feedback, not just from one person but a lot of the
21 people. So I think it all, it all made sense and it all
22 corroborated basically that way.

23 CHAIRMAN SCHMIDTLEIN: Do you yourself do
24 research on what the Chinese prices are, what are being
25 offered online?

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MR. FARAH: Yes. I got a quote back then, and the pricing back then was -- it was like stick staple was 60 percent lower than what we were selling, and that was an FOB China price, for example.

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So definitely it's happening, and everything, all of the evidence, talking to the people who were buying from us, who left us, looking at what's going on on the websites, quotes, just discussions in the industry, it all confirmed that that was really the case and that's what was happening.

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CHAIRMAN SCHMIDTLEIN: Okay. The last question I had is really for the post-hearing has to do with your reported production capacity. Apparently the staff has recommended some adjustments to that. Mr. Butler, you might have noticed. So in the post-hearing, could you let us know whether you agree with those adjustments and if you do not, please explain why you do not agree.

19

20

21

MR. BUTLER: Okay. We can do that.

CHAIRMAN SCHMIDTLEIN: Okay. I do not have any further questions, so Vice Chairman Johanson.

22

23

24

VICE HAIRMAN JOHANSON: I would like to thank you all for appearing here today. I have no further questions.

25

MR. BUTLER: Thank you.

1 COMMISSIONER BROADBENT: No further
2 questions.

3 CHAIRMAN SCHMIDTLEIN: You do?

4 COMMISSIONER WILLIAMSON: Yes.

5

6 CHAIRMAN SCHMIDTLEIN: All right.

7 Commissioner Williamson.

8 COMMISSIONER WILLIAMSON: I'm sorry, just a
9 few other questions. You've already talked about your
10 inventories and the problem of predicting how much you need.
11 But I was just wondering, is there a tendency by industry
12 inventories to build up early in the year, and when do they
13 peak? Is there sort of a seasonality of demand, and how
14 frequently do most your customers order? I'm just trying to
15 get a better handle on

16 MR. FARAH: Yeah. There's some customers that
17 will be seasonal, but often you'll have customers that order
18 monthly or we have a lot of customers that order monthly,
19 correct?

20 MR. TYNDALL: We do have a lot of customers
21 that order monthly. We don't see too much seasonal activity
22 outside of Thanksgiving to the end of the year, you know,
23 when people are trying to keep their inventories low. That
24 would be the only time. Otherwise, people are fairly
25 consistent in their purchasing habits, whether it's every

1 other month, same month, once a quarter, what have you.

2 COMMISSIONER WILLIAMSON: Okay, and I think
3 I've asked this before. You're generally able to provide
4 your customers with staples in the time frame that they're
5 demanding them?

6

7 MR. FARAH: Yeah. In general, yes we are. I
8 mean we have -- we've built up some really good
9 relationships with people who work with us. If they know
10 and we communicate with them and give them lead times, then
11 they're very agreeable to that for sure.

12 COMMISSIONER WILLIAMSON: Okay. Another
13 question, and this may -- you may want to do this
14 post-hearing. Looking at page V-8 of this prehearing brief
15 report, can you explain the domestic price decline in the
16 first quarter of 2015 for Product 2 on Table 4, and it may
17 be easier for you to do that post-hearing.

18 MR. BUTLER: Yeah. So we'll address that
19 post-hearing.

20 COMMISSIONER WILLIAMSON: Okay, good. The
21 last question, Mr. Farah, I was just very much intrigued
22 about your vision for American manufacturing, your desire to
23 take this on?

24 MR. FARAH: Yes.

25 COMMISSIONER WILLIAMSON: And I'm wondering

1 could you elaborate on this? Are you from the Butler area?

2 MR. FARAH: No, I'm actually Canadian.

3 (Laughter.)

4

5 MR. FARAH: So the irony in all this is I'm a
6 Canadian fighting for American jobs basically. My
7 background is manufacturing. I worked for a large
8 automotive parts company, one of the largest in the world,
9 and we have operations all over, a lot of them in the United
10 States, a lot of them in Canada and Mexico.

11 So I was very familiar with the dynamics with
12 what was going on with China and things like that, and I
13 knew, you know, manufacturing is something I was very
14 comfortable with. My vision back then, again it was the
15 financial crisis and I'm an entrepreneur at heart basically,
16 and I saw all this equipment sitting there. Expertise
17 sitting there. You go to Butler, it's all empty warehouses
18 and things like that.

19 I'm a fighter, and when I first bought it,
20 like I said, it was difficult. No one wanted -- you know
21 banks, they don't want to touch you. Back then in 2010
22 manufacturing, they don't want to touch you. Government
23 assistance. There was really nothing there. There was a
24 lot advertised, but for people in our situation trying to
25 start manufacturing, restart it in Butler, very little.

1 But when I looked at it and I saw all that
2 equipment and all the capability, and there was a lot of
3 talk about manufacturing coming back, and it's not like we
4 just bought it and that was it. We looked at the numbers
5 and everything, and I said this is so doable and I was
6 excited.

7
8 I remember buying it out of bankruptcy and our
9 attorney told the judge, I said we're going to bring jobs.
10 We're going to do this, we're going to do this and I meant
11 it, and I still mean it. I could have walked away and I
12 probably would have saved millions and millions of dollars.

13 But I still believe that this can work, and it
14 can work. It can work, and we see it now with the sales
15 starting to come out of the woodwork and the inquiries, and
16 I'm determined. That's why I continue to come and I
17 continue to fight, because it can't be a Canadian. It can't
18 be a Canadian on his own fighting for American jobs and
19 things like that.

20 I can't be the only one with this view. I
21 can't be the only one with this vision. It can happen.
22 Manufacturing can happen in the United States.
23 Manufacturing can happen in Butler, Pennsylvania, so
24 depressed. But it can happen and it's not a dream. It's
25 just based on facts and really it's free market. I did not

1 and I'll be honest. I did not anticipate the extent of the
2 dumping that happened from China. It was devastating.

3 You've got employees pumped up, morale.
4 You've got expertise you've invested in, you know,
5 equipment, everything. Everything's going, and then it's
6 like you can't sell because it's just -- it's fantasy
7 pricing all the time. Free market is fine, but it has to be
8 fair trade, and what really has happened has decimated not
9 only investors and lenders, but the employees as well.

10

11 These guys, they pour their hearts out into
12 that place. They've got expertise. There's such a history
13 and a tradition there, and the thing that's being allowed to
14 happen, and I saw it in automotive, I saw it in a lot of
15 industries, although a lot of it's coming back, is all that
16 expertise is gone or it's leaving. We've got a great
17 expertise there that's going to be lost. If we close up,
18 it's gone.

19 And then it's so hard to restart that again.
20 It's so hard to restart that again, and that's part of the
21 reason why you don't just say, you know, cut it off for a
22 year or two years, because you're closing that investment
23 you made in the people and the expertise. That's one of
24 your advantages. You know, in China they have a lot of
25 expertise that they gleaned from the industries here, and

1 that's disappearing, disappearing, disappearing.

2 And so in my mind, if I'm one of the only guys
3 making this product in the United States, why does it have
4 to ship all the way from China, all the way across the sea
5 to over here, and I can't compete? That shouldn't be, and
6 the numbers when I bought this place proved it shouldn't be.
7 But when it goes like that and it slides into fantasy
8 non-market pricing and with the government there that has
9 different objectives from a free market, you can't compete.

10

11 It doesn't matter what you do. It doesn't
12 matter how many costs you cut. It doesn't matter what you
13 invest in, you just can't compete. And so this remedy was
14 our chance to address that, because if we're on a level
15 playing field I am so confident that the American worker can
16 do it.

17 Everyone wins. The community wins. The
18 worker wins. The investors win, and that's really why I'm
19 still fighting this thing. You know, I'm not a quitter.
20 I'm not a quitter.

21 COMMISSIONER WILLIAMSON: Okay. Thank you
22 very much for your vision and thank you for answering my
23 questions.

24 CHAIRMAN SCHMIDTLEIN: Sure.

25 COMMISSIONER BROADBENT: Mr. Farah, what do

1 you think the cost advantage was that Black and Decker got
2 from moving to China?

3 MR. FARAH: What is the cost-benefit?

4 COMMISSIONER BROADBENT: Where was the cost
5 advantage? Was it in the labor force or the raw material?

6 MR. FARAH: Everything, everything.

7 COMMISSIONER BROADBENT: What kind of
8 advantages were they getting there when they moved -- they
9 were competing with you here and now they're competing with
10 you there?

11 MR. FARAH: Well, they would get everything --
12 all their inputs are subsidized there, from the raw
13 material, tremendous incentives you get over there,
14 financing, everything. There's government subsidies over
15 there. Many trade cases prove that, previous trade cases.
16 So there's a reason why they went from there to take
17 advantage of that effectively, and that's what a lot of
18 suppliers have done.

19
20 But I think now more and more you're seeing
21 more companies -- even back when I was in automotive, that
22 was a trend that we didn't like to see. We wanted -- it's
23 better to be local in most cases if you can for certain
24 types of products. You need trade. Trade -- I'm not saying
25 don't have trade or things like that.

1 But if you can go to a department store and
2 you want to buy a suit or a dress and, you know, it costs
3 whatever, \$100 to make and you go to a store and you're
4 paying 150, 200. Then you go to another place and you can
5 buy the thing for \$20, you know, people are going to do
6 that. Even though they know that it can't be or whatever it
7 is, they're going to do that, and that's basically why they
8 leave.

9 That's why a lot of these manufacturers leave,
10 because when you can operate in an environment like that,
11 why not, and that's what happened. This is my belief. I
12 can't speak 100 percent for what they've done, but I think a
13 lot of companies do that. At the end of the day, you have
14 rotted out factories, unused equipment, and then the thing
15 that people don't understand about manufacturing, it's not
16 just like turn it on, turn it off.

17
18 There is an expertise. It doesn't matter.
19 For the team member on the floor, right, who's doing their
20 job, who takes pride in their job, it's not like you just
21 pull them off and slap them on there. There's experience
22 with that and there's continuity with that, and that's what
23 gets lost. That's why you can't just -- if you're suffering
24 losses, it's like turn it off and then lay everybody off and
25 then bring them back.

1 You can't do that, and that's what's happened,
2 and that's why -- but there's a cost to that, and again if
3 you're operating in a free market, there's a cost to that.
4 But when you go to somewhere where the government subsidizes
5 everything, the government has created an atmosphere where
6 they have state-run industries with excess capacity and
7 things like that. You can't compete, especially if you're
8 small investor who's fighting with little support from
9 banks, continually puts up their own money or borrows money,
10 it's too hard to compete.

11 COMMISSIONER BROADBENT: Okay, all right.
12 Thank you very much. I appreciate it.

13 MR. FARAH: Thank you.

14 CHAIRMAN SCHMIDTLEIN: All right. I believe
15 that concludes the Commissioner's questions. Do staff have
16 any questions for this panel?

17 MS. LAURENCE: Amanda Laurence, Office of
18 Investigations. Staff has no further questions, thank you.

19
20 CHAIRMAN SCHMIDTLEIN: Okay, thank you very
21 much. Okay. So that brings us to the close of the panel,
22 and I will dismiss you at this time so that you can take
23 your seats, I guess, in the hearing room if you want. You
24 do have the opportunity to give a closing statement, Mr.
25 Butler, if you'd like for five minutes.

1 MR. BUTLER: I think Mr. Farah's words will be
2 fine. Thank you.

3 CHAIRMAN SCHMIDTLEIN: Okay, great. Thank
4 you. All right. So that brings us to the close of the
5 hearing, and there it is, the closing statement, okay,
6 magically appearing from behind me.

7 All right. Post-hearing briefs, statements
8 responsive to questions and requests of the Commission and
9 corrections to the transcript must be filed by March 20th,
10 2018. Closing of the record and final release of data to
11 parties will be April 10th, 2018, and final comments are due
12 April 12th, 2018.

13 Again, thank you both very much for appearing
14 here today, and with that, this hearing is adjourned.

15 (Whereupon, at 11:14 a.m., the hearing was
16 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Carton-Closing Staples from China

INVESTIGATION NO.: 731-TA-1359

HEARING DATE: 3-13-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

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