

**Testimony
of
Pamela LaFontaine
Liberty Diversified, Inc.**

Good Morning ^{Mr.}~~Madame~~ Chairman and members of the Commission. My name is Pam LaFontaine and I am the Director of Marketing for Safco Products Company, a division of Liberty Diversified, Inc. Liberty Diversified is based in New Hope, Minnesota, and is a privately held family of companies that designs, manufactures and markets products and creative solutions for the packaging, office and industrial business sectors. LDI employs 1700 people in the United States. Two LDI companies have an interest in the antidumping duty investigation on Chinese hand trucks before the Commission, Safco Products and Valley Craft. I address the Commission today on behalf of both Safco and Valley Craft, collectively "LDI."

From the outset, it is important to discuss the U.S. hand truck market from LDI's perspective and in which market segment LDI competes. Home improvement stores such as Home Depot and Lowe's constitute the largest U.S. market

segment selling hand trucks and U.S. producers such as Gleason and Harper supply large numbers of hand trucks to those retailers. LDI has chosen not to supply to this very competitive sector of the market even though LDI sells hand trucks that are competitive with those sold at the home improvement stores. In addition to Home Depot and Lowe's, other home improvement market purchasers are warehouse clubs, such as Wal-Mart's Sam's Club and Costco. In fact, these companies, which are among the top five retailers in America, probably constitute the largest and fastest growing sector in the hand truck home improvement market.

Another U.S. market segment includes office supply stores such as Staples, Office Max, Office Depot, and similar retail outlets where businesses usually purchase a variety of office supplies, including hand trucks. Virtually all of our hand trucks are sold to these business supply stores that purchase and sell hand trucks at a price point that is higher than that at the home improvement stores. At one time, Gleason and Harper were competitors in this market. They no longer are because of factors which I will discuss in a moment. This sector, by the

way, seems to have been ignored or misclassified in other categories in this investigation.

The third market segment from our perspective is the industrial sector. The industrial sector consists of factories and other businesses that require hand trucks for heavy-duty and/or specialized needs such as moving oil drums and other heavy and bulky loads. Although we used to supply a limited number of hand trucks to this market segment, the company has shifted virtually all of its sales to the office supply stores.

Producers and suppliers of hand trucks in the United States have experienced very difficult times over the last five years, and attributing a decrease in sales solely to an increase in imports fails to consider other significant factors. The slow-down in the U.S. economy that began in 1999/2000 greatly affected the demand for hand trucks. In particular, during this time, LDI experienced a dramatic drop in sales of its material handling products, including the higher-end hand trucks, to its then-existing customers. In our experience, material handling products are usually the first to experience sales decreases

during economic downturns and are usually the last to come back as the economy turns around. Also, the events of September the 11th significantly affected sales of all our product lines, including hand trucks.

The raw materials needed to fabricate hand trucks are increasingly more expensive, which results in higher costs to producers and importers. Therefore, the current economic environment requires that producers, importers, wholesalers, and retailers become very innovative to stay competitive. To battle the higher prices of the finished hand trucks and keep its product line attractive to its customers, LDI has strived to design a better product and provide its customers with added services to facilitate the shipping, warehousing and sale of its imported hand trucks.

Hence, price is only one factor that makes a hand truck competitive in the U.S. market. To sell to this market, vendors must meet very high performance criteria that include electronic order processing, special packaging and pallet requirements, precise shipping and delivery schedules and fill rates. In

addition, our company must allocate funds to retailers to cover additional expenses associated with the marketing and advertising of the hand trucks and the training of our customers' sales staffs. Some domestic producers have not responded to these relatively new vendor demands by making the investments necessary to implement them and, as a result, they have become much less competitive with negative economic consequences. The cost of meeting these customer requirements can greatly increase the wholesale cost of a hand truck by as much as 25 to 30 percent per unit.

Some domestic producers have also failed to adapt the design of their hand trucks to appeal to evolving needs of the consumer. For example, over recent years, LDI has redesigned its hand trucks to include:

- better ergonomics, such as LDI's handle styles on its Stowaways and Power Grasp handles on its hand trucks;
- new wheel design and technology, including folding and collapsible features;
- smaller and lighter designs;

- anti-skid decks; and
- color choices that enhance safety standards.

However, the largest domestic producer and a petitioner in this case, Gleason, has failed to refine and improve its hand truck designs over the years and manufactures only very basic hand trucks that differ little from the hand trucks it has offered for sale over most of the past half century. Although Gleason was one time a competitor in the office hand truck market, it has virtually disappeared as a player in our market because of its failure to meet the demands of customers in this segment of the market.

There are other factors that make the domestic hand trucks less competitive in the U.S. market place. The quality of the hand trucks is very important and we have found that Chinese hand trucks consistently surpass domestic hand trucks in meeting customer specifications. Also, many office supply retailers often prefer hand trucks with detached toe plates. This

feature allows the size of hand trucks to be reduced considerably for shipping, storing, and merchandising. In addition to quality, good service is the second most important criterion to our customers. Gleason, Harper, and Magline, based on our competitive evaluations, have failed to meet the service needs of their customers, many of which have looked elsewhere to source their hand trucks during the period of investigation.

In addition to refining the physical features of hand trucks, we have pursued other merchandising strategies to make our hand trucks more competitive. Many retailers strive to consolidate their purchases among a core group of vendors that offer a wide range of products. LDI has responded to this environment by expanding its product line in both the number of products offered for sale as well as the price points at which those products are sold. By broadening its product offerings, LDI expands the business relationships with its core customers and solidifies its market base. Gleason, Harper, and Magline have failed to embrace this market strategy and proceed as they always have without attention to shifting market realities.

That concludes my prepared testimony. I thank you for the opportunity to appear at today's hearing and would be pleased to try to answer any questions on the matters I have discussed.