





## APPEARANCES (continued):

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WILLIAM R. BISHOP, HEARINGS AND MEETINGS  
COORDINATOR

Staff:

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PEDER ANDERSEN, COMMODITY ANALYST  
CLARK WORKMAN, ECONOMIST  
DAVID BOYLAND, ACCOUNTANT  
KAREN DRISCOLL, ATTORNEY  
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

## APPEARANCES (CONT'D)

In Support of the Imposition of Antidumping Duties:

On behalf of Gleason Industrial Products, Inc.;  
Precision Products, Inc.; Harper Trucks, Inc.;  
Magline, Inc.:

HOWARD SIMON, Chief Operating Officer,  
 Gleason Industrial Products, Inc.,  
 and Precision Products, Inc.  
 JAY KVASNICKA, Corporate Vice President,  
 Sales and Marketing,  
 Gleason Industrial Products, Inc.  
 BILL MALONE, Vice President, Manufacturing,  
 Gleason Industrial Products, Inc.  
 DAVID A. RIFE, Vice President, Sales,  
 Harper Trucks, Inc.  
 DAVID STRAW, President and Chief Operating  
 Officer, Magline, Inc.  
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 Crowell & Moring, LLP  
 Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of Liberty Diversified Products, Inc.;  
Safco Products Company ("Safco"):

PAM LaFONTAINE, Director, Product Development  
 Marketing, Safco  
 DAN ZDON, General Manager,  
 Safco

## Of Counsel:

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 DAVID R. STEPP, Esquire  
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## APPEARANCES (CONT'D)

In Opposition to the Imposition of Antidumping Duties:

On behalf of China Chamber of Commerce for Import and Export of Machinery and Electronics; Qingdao Huatian Hand Truck Co., Ltd.; Qingdao Taifa Group Co., Ltd.; Qingdao Zhenhua Industrial Group Co., Ltd.; Qingdao Xinghua Group Co., Ltd.; Shandong Machinery Import and Export Group Corp.; Jiaonan Tianhe Hand Truck Co., Ltd.:

FENG XUELOU, Chairman,  
Qingdao Taifa GroupCo., Ltd.  
GE ZHIQIANG, Vice General Manager,  
Qingdao Taifa Group Import and Export Corp.  
LIU HUIJUAN, Project Director,  
China Chamber of Commerce for Import and  
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## Of Counsel:

PHILIPPE M. BRUNO, Esquire  
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P R O C E E D I N G S

(9:28 a.m.)

1  
2  
3 CHAIRMAN KOPLAN: Good morning. On behalf  
4 of the United States International Trade Commission, I  
5 welcome you to this hearing on Investigation No. 731-  
6 TA-1059 (Final) involving Hand Trucks from China. The  
7 purpose of this investigation is to determine whether  
8 an industry in the United States is materially injured  
9 or threatened with material injury by reason of less-  
10 than-fair-value imports of subject merchandise.

11 Schedules setting forth the presentation of  
12 this hearing, notice of investigation, and transcript  
13 order forms are available at the secretary's desk.  
14 All prepared testimony should be given to the  
15 secretary. Do not place testimony directly on the  
16 public distribution table. As all written material  
17 will be entered in full into the record, it need not  
18 be read to us at this time. All witnesses must be  
19 sworn in by the secretary before presenting testimony.

20 I understand the parties are aware of the  
21 time allocations. Any questions regarding the time  
22 allocations should be directed to the secretary.

23 Finally, if you will be submitting documents  
24 that contain information you wish classified as  
25 business confidential, your request should comply with

1 Commission Rule 201.6.

2 Madam Secretary, are there any preliminary  
3 matters?

4 MS. ABBOTT: No, Mr. Chairman.

5 CHAIRMAN KOPLAN: Very well. Then let us  
6 proceed with the opening remarks.

7 MS. ABBOTT: Opening remarks on behalf of  
8 the Petitioner will be made by Matthew P. Jaffe,  
9 Crowell & Moring.

10 CHAIRMAN KOPLAN: Good morning, Mr. Jaffe.

11 OPENING STATEMENT ON BEHALF OF THE PETITIONERS

12 MR. JAFFE: I'm Matthew Jaffe with the law  
13 firm of Crowell & Moring on behalf of the petitioning  
14 companies.

15 In December 2003, the parties opposing the  
16 petition appeared before the Commission and made the  
17 following statement at the preliminary conference, and  
18 I quote, on page 79 of that transcript: "If there  
19 were to be a theme in this case, it would be this  
20 petition was filed too early."

21 Well, there's two interesting things about  
22 that statement. First, "too early." That  
23 acknowledges that there is clearly an existence of  
24 threat of material injury, and, indeed, the Commission  
25 found that at the preliminary determination. But that

1 statement also challenged the Commission during the  
2 final phase of this investigation to consider whether  
3 the record, as it was developed, demonstrated material  
4 injury and to consider what would have happened but  
5 for the filing of this petition in November 2003.

6 While the Commission has conducted a full  
7 investigation, it now has before it a complete record,  
8 and what that complete record shows is not only that  
9 there is a threat of material injury hanging over our  
10 head, but it shows that there exists actual material  
11 injury as well.

12 Just looking at the prehearing report, you  
13 can see market share of the imports started in 2001 at  
14 30 percent, increased in 2002 to 38 percent, and in  
15 2004, it was 47 percent, a 17-percent increase over  
16 just a two-year period.

17 The prehearing staff report demonstrates  
18 considerable growth in domestic consumption, and yet  
19 subject imports captured 100 percent of that growth  
20 while domestic shipments were flat.

21 The prehearing staff report demonstrates  
22 that the subject imports targeted the highest-volume,  
23 U.S. purchasers, the big-box retailers. They focused  
24 on a small number of popular models, and that ensured  
25 themselves the most rapid expansion possible.

1           The prehearing staff report demonstrates  
2           that they undersold the domestic like product  
3           consistently. One hundred and nine out of the 122  
4           time periods that were measured, they undersold.  
5           That's 90 percent of all of the periods where a  
6           comparison was possible.

7           The prehearing staff report demonstrates  
8           Chinese production capacity increased almost 22  
9           percent over the course of the period of  
10          investigation, and there is public information on the  
11          record that shows that that capacity is even larger,  
12          over 10 million hand trucks.

13          The prehearing staff report demonstrates  
14          that importers and the period inventories increased by  
15          a multiple of four over the period of investigation.

16          What has been the effect of the petition?  
17          Well, on page II-6 of the prehearing report, it shows  
18          that when purchasers were asked if this antidumping  
19          investigation caused them to cancel orders or reduce  
20          purchases of imports, seven said, yes, it did. That's  
21          almost a third of the purchasers responding. In fact,  
22          we know on the record, and we'll discuss it further  
23          today, about the plans of certain customers -- Home  
24          Depot, Lowe's, and Grainger -- to actually stop  
25          purchasing from the domestic industry and start

1 purchasing imports. The financial results, as we've  
2 demonstrated in our pro forma will show that but for  
3 this petition, this industry would look very different  
4 today.

5 Now, the theme of this investigation is not  
6 that we filed too early; the theme is that we filed  
7 just in time. I'm going to ask you to consider as you  
8 listen to the testimony today what would have happened  
9 if we had waited a year. What if we had waited until  
10 November 2004? I think you will see from the record  
11 that this industry would have been a shadow of its  
12 former self.

13 In the preliminary investigation, the  
14 Commission was correct. There is definitely a threat  
15 of material injury, and as the evidence demonstrates,  
16 during the final phase of this investigation, that  
17 there is material injury as well. Thank you.

18 CHAIRMAN KOPLAN: Thank you.

19 MS. ABBOTT: Opening remarks on behalf of  
20 the Respondents will be by Philippe M. Bruno,  
21 Greenberg Traurig.

22 CHAIRMAN KOPLAN: Good morning, Mr. Bruno.

23 OPENING STATEMENTS ON BEHALF OF RESPONDENTS

24 MR. BRUNO: Good morning, Mr. Chairman.  
25 Good morning, members of the Commission. Good

1 morning, staff.

2 It is not often that the petitioner concedes  
3 that a domestic industry is not materially injured, as  
4 these petitioners did at the preliminary conference in  
5 this investigation.

6 From the evidence collected by the  
7 Commission for this final investigation, it is clear  
8 that the condition of the U.S. industry has not  
9 changed since the Commission's preliminary  
10 determination. Therefore, in its final determination,  
11 the Commission should determine that the U.S. industry  
12 is not experiencing material injury, as it implicitly  
13 did in its preliminary determination.

14 As you recall from the --

15 CHAIRMAN KOPLAN: Excuse me for just one  
16 second. The light? I'm sorry Go ahead.

17 MR. BRUNO: As you recall from the  
18 information that was provided on the record in the  
19 preliminary investigation, Gleason believed that two  
20 of its largest customers were going to switch to  
21 Chinese suppliers and that the U.S. industry was  
22 threatened with material injury. If you remember, we  
23 were told at a conference that this would occur in the  
24 spring of 2004.

25 Well, it turns out that this claim was

1 unfounded. As to one of the two customers, this claim  
2 was wrong in the first place. As to the other  
3 customer, it did not materialize. However, what the  
4 Chinese Respondents know is that their U.S. customers  
5 are purchasing increasing quantities from other  
6 countries. Under these circumstances, Gleason has a  
7 problem today supporting its threat case.

8           If these two customers did not switch to  
9 China, aren't we today in the same situation as we  
10 will be in 12 months from now? If there is no  
11 material injury today, what indicates that it will  
12 occur tomorrow?

13           Let us make a concession as well. It is  
14 reasonable to believe that if an antidumping duty  
15 order is not issued in this case, Chinese imports will  
16 continue to be a presence in this market in the  
17 future, perhaps as much a presence as they have been  
18 in the past. So what? In the first half of 2004, at  
19 a time when Chinese imports peaked, the condition of  
20 the U.S. industry remained strong. This is not what  
21 you would expect if Chinese imports were the cause of  
22 the industry's problems. In fact, some U.S. producers  
23 fared even better during this period than during the  
24 prior years.

25           We're not disputing that certain U.S.

1 producers are not doing as well as others, but, in our  
2 views, the problem is created by the deteriorating  
3 relationships of those U.S. producers with their major  
4 customers.

5 We invite the Commission to analyze  
6 carefully the answers provided by those customers.  
7 The problems alleged by those customers are not of  
8 China's making.

9 In sum, this is not your typical Chinese-  
10 threat case. Yes, imports from China have risen in  
11 recent years and were large in 2004, but this case  
12 deserves a careful analysis of the evidence regarding  
13 the claims made by the Petitioners on behalf of the  
14 U.S. industry. The answers provided by the  
15 purchasers, the capacity utilization that are provided  
16 by one U.S. producer, and the condition of the U.S.  
17 industry in 2004 all point out that there other  
18 factors at play in this market than Chinese imports.

19 CHAIRMAN KOPLAN: Thank you, Mr. Bruno.

20 Madam Secretary, if you would call the first  
21 panel.

22 MS. ABBOTT: Additional opening remarks will  
23 also be made by Mark S. Zolno, Katten, Muchin, Zavis &  
24 Rosenman.

25 CHAIRMAN KOPLAN: Thank you for that, Madam

1 Secretary.

2 MR. ZOLNO: Thank you, Mr. Chairman, members  
3 of the Commission.

4 As our client, LDI, has argued in its  
5 prehearing brief, and as will be related to the  
6 Commission today through the testimony of LDI's  
7 witnesses, the domestic hand truck industry has  
8 neither suffered material injury nor has it been  
9 threatened with material injury as a result of the  
10 importation of hand trucks from China.

11 Any decrease in Petitioners' sales is,  
12 rather, attributable primarily to three factors:  
13 First, the domestic industry's failure to modernize  
14 its products to include features which would make  
15 their products more attractive to their customers;  
16 second, the substandard quality of their products and  
17 poor customer service; three, the failure to integrate  
18 hand truck sales with those of other product lines.  
19 And also, very importantly, the Petitioners' lost  
20 sales in their primary market, home improvement, were  
21 due primarily to another domestic manufacturer taking  
22 that market share away from the Petitioners and other  
23 supporters of the petition.

24 Therefore, there is no causal link between  
25 any injury suffered by the Petitioners and the few

1 domestic hand truck supporters due to any increases in  
2 hand truck imports. Rather, the domestic companies  
3 testifying at today's hearing have no one to blame but  
4 themselves for their fate. Thank you.

5 CHAIRMAN KOPLAN: Thank you. Madam  
6 Secretary.

7 MS. ABBOTT: The first panel in support of  
8 the imposition of antidumping duties should come  
9 forward and take their seats. The witnesses have been  
10 sworn.

11 (Pause.)

12 CHAIRMAN KOPLAN: You may proceed.

13 MR. JAFFE: Thank you again. Matthew Jaffe  
14 on behalf of the law firm, Crowell & Moring, and the  
15 petitioning companies. We're going to begin our  
16 direct testimony with the statement of Howard Simon,  
17 chief operating officer of the Gleason Corporation.

18 MR. SIMON: Good morning. My name is Howard  
19 Simon, and as Mr. Jaffe just told you, I am the chief  
20 operating officer for Gleason Industrial Products and  
21 Precision Products, both headquartered in Los Angeles,  
22 California. In my capacity as the chief operating  
23 officer, I oversee the responsibilities and activities  
24 of our plant managers and sales managers, and I  
25 interact with our union representatives, lenders,

1        auditors, and attorneys. I am ultimately accountable  
2        for all matters affecting the Gleason group of  
3        companies.

4                Before I begin my direct presentation, I  
5        would like to thank the Commission and its staff for  
6        all of the work it has done in this investigation. If  
7        we had not filed the antidumping petition in November  
8        2003, if the Commission had not preliminarily found  
9        injury with respect to subject imports from China, and  
10       if the Commerce Department had not preliminarily found  
11       dumping, my primary responsibility at this moment most  
12       likely would have been the unpleasant task of  
13       overseeing worker layoffs and the consolidation, or  
14       perhaps shutdown, of one or more of our plants.

15               Gleason believes it is by far the single  
16       largest producer of hand trucks in the United States.  
17       This sort of damage to Gleason would have sent shock  
18       waves to the domestic hand truck industry and caused a  
19       general loss of credibility in continued U.S.  
20       production of hand trucks generally.

21               I am going to first provide you with a brief  
22       outline of our company. Jay Kvasnicka, our corporate  
23       vice president of sales, will then update the  
24       Commission on the impact of the Chinese hand truck on  
25       our industry. I will then discuss what our company

1 would have looked like absent the antidumping findings  
2 with respect to imports of hand trucks from China.

3 The Gleason Group is a vertically integrated  
4 manufacturer of nonpowered wheel products, small tire  
5 and wheel assemblies, and leisure products. Our  
6 nonpowered wheel products consist of hand trucks,  
7 platform trucks, trailer carts, fertilizer spreaders,  
8 and miscellaneous lawn and garden equipment. These  
9 wheel products are produced at two of our union-  
10 organized facilities in Goshen, Indiana, and Lincoln,  
11 Illinois.

12 The Goshen plant employs over 160  
13 individuals who are members of the UTW-UFCW, a union  
14 affiliated with the AFL-CIO. The Goshen plant is the  
15 oldest business in all of Elkhart County, Indiana,  
16 having been in operation since 1891.

17 The Lincoln plant employs over 150  
18 individuals who are members of the Laborers  
19 International Union of North America, another union  
20 affiliated with the AFL-CIO. This plant is one of the  
21 largest employers in Lincoln, Illinois, and it employs  
22 individuals from many of the surrounding areas,  
23 including Clinton, Springfield, and Decatur, Illinois.

24 Our small tire and wheel assemblies consist  
25 of steel and plastic, semipneumatic assemblies,

1 pneumatic assemblies, and solid-rubber wheels and  
2 casters. These are produced primarily for original  
3 equipment manufacturers of lawnmowers, snow blowers,  
4 air compressors, pressure washers, and various other  
5 hardware products. Our small tire and wheel  
6 assemblies are also produced for the hand trucks  
7 manufactured by our Goshen and Lincoln facilities and  
8 other domestic hand truck manufacturers. In fact, for  
9 every hand truck manufactured by the Gleason Group, at  
10 least two wheels from our wheel divisions are used.

11 Accordingly, if the unfair Chinese imports  
12 succeed in their goal to destroy the U.S. hand truck  
13 industry, they will also severely impact the U.S.  
14 tire, wheel, and caster industries, which depend on  
15 American-made hand trucks for a considerable portion  
16 of their business.

17 Our small tire and wheel assemblies are  
18 manufactured in three plants, located in  
19 Caruthersville, Missouri; Tomah, Wisconsin; and Fort  
20 Madison, Iowa. The Caruthersville and Tomah operations  
21 were purchased by our company in 1992 from the  
22 Bankruptcy Court. Since then, through mostly the  
23 success of our hand truck sales and other wheel  
24 products, we have been able employ over 70 workers for  
25 the purpose of producing wheels.

1                   Our Fort Madison plant employs approximately  
2                   100 individuals who are members of the International  
3                   Association of Machinists Union, a third AFL-CIO  
4                   affiliate. In addition to the wheels it produces for  
5                   our Goshen and Lincoln facilities and outside  
6                   customers, our Fort Madison plant has the ability to  
7                   manufacture hand trucks and hand truck components if  
8                   there is a demand.

9                   There are currently five channels of  
10                  distribution for hand trucks: national home-  
11                  improvement stores, hardware co-ops, catalog houses  
12                  and industrial distributors, truck fleet owners, and  
13                  others. Probably the most significant shift in our  
14                  industry over the last ten years has been the growing  
15                  dominance of national home-improvement stores, the  
16                  big-box retailers like the Home Depot, Lowe's, and  
17                  Menard's. It is important for you to understand that  
18                  Gleason, not the imports, pioneered the introduction  
19                  and steady expansion of hand trucks through this  
20                  channel.

21                  National home-improvement stores currently  
22                  comprise between 35 to 50 percent of the industry  
23                  sales of hand trucks. The rivalry among these stores  
24                  is so intense that it not only drives price  
25                  competition within the channel, but it drives price

1 competition within two other channels of distribution  
2 -- hardware co-ops and catalog houses and industrial  
3 distributors -- because these channels often compete  
4 for the same customers. In other words, if one major  
5 home-improvement store alters its method of doing  
6 business, then it won't be long before the other  
7 stores and the hardware co-ops and the large catalog  
8 houses follow suit.

9 This condition of competition, of course,  
10 has been Gleason's greatest strength, and now it's our  
11 greatest vulnerability. Gleason has taken dramatic  
12 steps over the last ten years to improve its hand  
13 trucks, offer multiple options and accessories at  
14 lower prices, improve quality, and drop our defective  
15 merchandise rate to the point where it barely  
16 registers.

17 As a result, Gleason has been recognized as  
18 the premier supplier to some of the best names in home  
19 improvement, hardware, and catalog houses. But there  
20 is only so much we can do when the driving purchase  
21 criterion for a low-tech item like a hand truck is  
22 price. The lower the price, the better, and all other  
23 purchasing criteria come in a distant second.

24 Therefore, in the hand truck industry, when  
25 one major box store begins to purchase Chinese hand

1 trucks at unfair prices, it sends a tidal wave through  
2 the national home-improvement, hardware co-op, and  
3 catalog channels of distribution which sweeps away a  
4 major share of the market for American-manufactured  
5 hand trucks.

6 About seven years ago, before Chinese  
7 imports were more than a blip on the radar screen as a  
8 source of supply, the Home Depot selected the Gleason  
9 Group as its exclusive national supplier of hand  
10 trucks manufactured from steel because of our high  
11 quality standards and competitive pricing. Since  
12 then, we have added one of our aluminum trucks and our  
13 nylon plastic trucks to the list of products that we  
14 sell to the Home Depot. But as Jay will discuss in  
15 great detail, in 2003, the Home Depot informed us that  
16 it had decided to switch two of the highest-volume  
17 hand trucks to Chinese imports.

18 It wasn't because our standards had slipped.  
19 It wasn't because our prices were higher than they had  
20 been in the past. In fact, to the contrary, as  
21 pressures from overseas have increased, we have been  
22 required to lower our prices or add additional  
23 features to retain the business that we fought so  
24 proudly to secure initially. Earning the business  
25 became simply a matter of price.

1                   How low are the Chinese prices? We've  
2                   received multiple purchase offers for Chinese hand  
3                   trucks that are less than our raw material costs. In  
4                   other words, our cost to purchase the steel and other  
5                   components used in our production of hand truck is  
6                   greater than the price at which the fully completed  
7                   Chinese hand trucks are sold in the United States,  
8                   including delivery.

9                   In retrospect, it shouldn't have come as a  
10                  surprise that in 2003 the Home Depot, the largest  
11                  hardware and building material retailer in the world,  
12                  informed us of its plans to stop buying a major  
13                  portion of its hand trucks from Gleason. The Home  
14                  Depot subsequently reduced its purchases of Gleason  
15                  hand trucks beginning in the third quarter of 2003 and  
16                  actually stopped buying a significant portion of its  
17                  hand truck requirements from Gleason in April 2004,  
18                  just six months ago, after the Commission's  
19                  preliminary injury finding.

20                  The Commerce Department then issued its  
21                  preliminary antidumping findings in May 2004. Soon  
22                  thereafter, in August, the Home Depot informed Gleason  
23                  that it had reversed its earlier decision and had  
24                  planned to stop purchasing Chinese hand trucks.  
25                  Furthermore, the Home Depot advised us that it would

1 begin purchasing a significant portion of its hand  
2 truck requirements again from Gleason, and this time,  
3 also from Harper Trucks.

4 In other words, we only regained our lost  
5 sales to the Home Depot after the Commission's  
6 preliminary finding of injury and after the Commerce  
7 Department's preliminary finding of dumping. Absent a  
8 final determination of affirmative in favor of injury  
9 and dumping, I am certain that it will only be a  
10 matter of months, perhaps a matter of days, before we  
11 will lose this account again. And as I mentioned  
12 earlier, a decision by the Home Depot to import hand  
13 trucks would certainly set in motion a chain reaction  
14 for the other home-improvement centers to import hand  
15 trucks as well.

16 This is a harsh realization for a company  
17 that has been used to offering jobs, day in and day  
18 out, for over 55 years. Our jobs helped our loyal  
19 employees over the years put food on their table and a  
20 roof over their heads. We are incapable of providing  
21 this security if the Chinese manufacturers continue to  
22 engage in unfair competition.

23 Jay Kvasnicka, Gleason's corporate vice  
24 president of sales, will now testify in detail about  
25 the lost sales that we have directly suffered as a

1 result of unfairly priced hand trucks from China.  
2 Jay?

3 MR. KVASNICKA: Thank you, Howard. Good  
4 morning. My name is Jay Kvasnicka. I am the  
5 corporate vice president of sales for Gleason  
6 Corporation, based out of the sales office in  
7 Milwaukee, Wisconsin.

8 As vice president of sales and marketing, I  
9 supervise the sales of hand trucks and other consumer  
10 products manufactured by Gleason. In the mid-to-late  
11 1990's, producers of Chinese hand trucks targeted the  
12 U.S. market. Still, as recent as the Commerce  
13 Department's May 2004 preliminary determination,  
14 Chinese hand trucks aggressively undersold U.S. hand  
15 trucks and stole our business.

16 Today, I would like to share with you some  
17 of the difficulties --

18 CHAIRMAN KOPLAN: Excuse me. Could you move  
19 the microphone closer to you?

20 MR. KVASNICKA: Yes. Is that better?

21 CHAIRMAN KOPLAN: I'll be able to tell once  
22 you start up.

23 MR. KVASNICKA: I just thought you wanted to  
24 see what it looked like.

25 Today, I would like to share with you some

1 of the difficulties that I have encountered in the  
2 industry over the past several years. Gleason's  
3 largest-volume customers are well-known, big-box  
4 retailers, as Howard stated earlier: the Home Depot  
5 and Lowe's and major catalog distributors such as  
6 Grainger. Gleason was Home Depot's sole supplier of  
7 steel hand trucks from 1997 until 2003.

8 In 2003, Home Depot told me that it had  
9 decided to replace Gleason's two top-selling items  
10 with hand trucks from China. Their plan was for a  
11 regional phaseout that would begin in one area of the  
12 country and spread into additional states until they  
13 reached total national phaseout no later than April  
14 2004. If Home Depot had completed this phaseout as  
15 planned, Gleason would have lost a large percentage of  
16 our business to the Chinese hand trucks.

17 In 2003, Lowe's told me that, like Home  
18 Depot, it also had decided to replace not just a  
19 couple of SKUs but all of Gleason's hand trucks with  
20 hand trucks imported from China. Total phaseout would  
21 be March 2004. They made it very clear that they had  
22 no decision but, due to price, to follow through with  
23 this and pursue that. If Lowe's had completed its  
24 phaseout as planned, Gleason would have lost another  
25 significant portion of our business to the Chinese

1 hand trucks.

2 In 2003, Grainger made the decision to  
3 replace all of Gleason's aluminum hand trucks with  
4 hand trucks imported from China.

5 Between these three customers alone, these  
6 phaseouts represented a loss of approximately 60  
7 percent of our two-wheel hand truck business. None of  
8 these companies indicated that the quality of our hand  
9 trucks was in any way to blame for their switch to  
10 Chinese imports, and not one of them complained about  
11 service, but the companies did offer a reason for the  
12 decision: price.

13 In short, despite the fact that we hadn't  
14 announced a price increase to any of these customers  
15 since 1997, and despite the fact that many of our  
16 prices to these customers had, in fact, decreased, the  
17 prices of the hand trucks coming from China were still  
18 far below our cost to produce these trucks. In fact,  
19 the Chinese hand trucks' prices were so low that our  
20 customers simply could not ignore them.

21 In an effort to keep this business, we, of  
22 course, offered to rebid. However, in all cases, our  
23 customers told us that the pricing was again so low  
24 that our rebidding would be pointless and a waste of  
25 both our time and theirs. The buyers knew that there

1 was simply no way that we could compete with Chinese  
2 prices.

3 After we filed our antidumping petition,  
4 everything changed. For example, by 2004, Home Depot  
5 had already completed its national phaseout of our top  
6 two SKUs, top two hand trucks, but after the Commerce  
7 Department issued its preliminary antidumping duty  
8 determination, we received a call from Home Depot  
9 informing us that they would reopen the hand truck  
10 category for review. The results of that review were  
11 that Home Depot split all of its business between  
12 Gleason and Harper, another domestic manufacturer.

13 Last December, Lowe's told me that it had  
14 heard about our petition and had decided to hold off  
15 sourcing hand trucks from China and that they would  
16 continue buying hand trucks from us pending the  
17 results of this case. And as for Grainger, well,  
18 Grainger followed through with its plan. We lost that  
19 business to Chinese imports.

20 As you can see, imports are a continuing  
21 menace to our industry. I have been told by a number  
22 of customers, including Home Depot and Lowe's, that if  
23 our antidumping petition is rejected, they will again  
24 aggressively pursue imports from China rather than  
25 source domestically. Gleason may be the best when it

1 comes to hand trucks, but when the price is the  
2 defining factor of whether you buy a product or not,  
3 we just cannot compete against low-priced, unfairly  
4 priced Chinese imports.

5           There is one more key point about my  
6 business that I would like to make. Howard has  
7 discussed the growing significance of the big-box  
8 retailers in this market, and some of my discussion of  
9 actual and potential lost accounts is focused on them  
10 as well. However, the fact of the matter is that the  
11 problems we've encountered aren't limited to that  
12 channel. They are not limited to the customers that  
13 we've just named. We're fighting this same battle  
14 against unfairly low-priced imports to keep all of our  
15 customers, including hardware stores, industrial  
16 distributors, OEMs, and other catalog retailers.

17           This investigation has been a lifeline for  
18 Gleason. It is clear that if the domestic hand truck  
19 industry does not prevail here, imports from China  
20 offered at cut-rate prices will resume at a massive  
21 rate. On behalf of Gleason and our employees, I thank  
22 you for your time, your diligence, and your hard work  
23 throughout the investigation and the efforts you've  
24 taken to save Gleason and our industry from unfair  
25 competition from China. I now return the floor to

1 Howard.

2 MR. SIMON: Thank you, Jay. The import  
3 volumes for Chinese hand trucks have been massive. In  
4 2001, approximately 650,000 units were imported. In  
5 2002, imports jumped close to 940,000 units, and in  
6 2003, Chinese imports of hand trucks jumped to just  
7 under 1,346,000 units. In other words, Chinese hand  
8 trucks doubled in just two years, and they would have  
9 continued to grow at a rapid pace during 2004 if the  
10 antidumping investigation had not intervened to slow  
11 them down and sharply increase their average price.  
12 The table shown on page IV-2 of the prehearing staff  
13 report demonstrates these changes.

14 In order for the Commission to be able to  
15 measure the impact of the massive importation of  
16 unfairly priced Chinese hand trucks on our business,  
17 we have placed on the record an abbreviated financial  
18 statement for Gleason's fiscal years ending June 30,  
19 2004, and pro forma financials for Gleason's fiscal  
20 years ending June 30, 2005, and June 30, 2006.

21 At the request of the Commission staff, we  
22 also devoted considerable time and effort to restating  
23 our fiscal year financial results to a calendar year  
24 basis and have placed on the record similar  
25 information for the years ending December 31, 2004,

1 and December 31, 2005.

2 CHAIRMAN KOPLAN: May I ask, for the record,  
3 does Respondent's counsel have this exhibit?

4 MR. BRUNO: We do, Mr. Chairman. We do.

5 CHAIRMAN KOPLAN: Thank you.

6 MR. SIMON: All of this information is  
7 presented in light of the developments we experienced  
8 since the filing of the antidumping petition and if  
9 this Commission issues a negative filing.

10 You know, it just dawned on me that as I  
11 mentioned the term "pro forma," I assumed that you  
12 know what that means, but I guess I shouldn't make any  
13 assumptions, so I would like to just explain briefly  
14 what I mean when I use the term "pro forma  
15 financials."

16 The pro forma financials that we've  
17 presented are financial statements that are intended  
18 to present the financial condition of Gleason on an  
19 as-if or a what-if basis, and the "what if" in this  
20 situation is what if this Commission issues a finding  
21 in the negative.

22 In order to truly appreciate the impact a  
23 negative finding would have on our bottom line, and  
24 when I say "bottom line," I mean our operating income  
25 or profitability, we think it's important for you to

1 understand how we developed the numbers at the top  
2 line; in other words, how we developed our sales  
3 numbers for purposes of putting together our pro forma  
4 financials. So I would just like to explain  
5 conceptually how we did that at first.

6 We looked at our historical sales from all  
7 of our customers, and we separated out those sales  
8 associated with Home Depot, Lowe's, and Grainger, and  
9 then we adjusted those sales for Home Depot, Lowe's,  
10 and Grainger based upon the impact that a negative  
11 finding would have on our sales to those accounts. We  
12 only adjusted the sales for Home Depot, Lowe's, and  
13 Grainger because we wanted to present to you the best-  
14 case scenario of what the impact would be on our  
15 financial performance. We did not present the worst-  
16 case scenario.

17 We did this knowing that the buying patterns  
18 of these other customers would closely follow the  
19 buying patterns of Home Depot, Lowe's, and Grainger,  
20 and we know that because, well, you've heard the  
21 saying in America, "when America sneezes, the world  
22 catches a cold." In the hand truck industry, when  
23 Home Depot, Lowe's, and, to a lesser extent, Grainger  
24 sneeze, the entire hand truck industry catches  
25 pneumonia.

1           But the other reason that we did not adjust  
2 any of the sales figures for our customers other than  
3 Home Depot, Lowe's, and Grainger is because we've had  
4 specific discussions with representatives from Home  
5 Depot, Lowe's, and Grainger indicating exactly what  
6 they would do in the event that this Commission issued  
7 a negative finding.

8           In fact, what I would like to do is talk  
9 about Exhibit 12 to our prehearing brief that we  
10 submitted on September 30th, and for your convenience,  
11 we passed out a courtesy copy of that brief. Now,  
12 since the information in this brief and in this  
13 exhibit, in particular, is proprietary, I am not going  
14 to be referring to any of the numbers outright, but I  
15 will allude to them through either column references  
16 or information in adjacent columns.

17           I ask that you look specifically at page 5.  
18 This page presents to you the actual sales of our D-  
19 handle hand truck to Home Depot during the calendar  
20 year 2003 and through the first six months of calendar  
21 year 2004. These are actual sales. And in looking at  
22 these sales figures, it's important to note a couple  
23 of key events that occurred during this period.

24           First of all, in June 2003, we received a  
25 letter from Home Depot confirming that they were

1 switching their supply of hand trucks from Gleason to  
2 China. The phaseout was to begin in the third quarter  
3 of 2003 and be completed in or around the first  
4 quarter of 2004. And I heard Mr. Bruno say in his  
5 testimony that we made these allegations during the  
6 preliminary, and yet they never materialized. But  
7 these numbers, and if you look, during the months of  
8 March, April, and May, you can see a precipitous drop  
9 in sales, a significant decline, as compared to the  
10 prior period in 2003.

11 Secondly, in May of 2004, the DOC issued its  
12 preliminary antidumping ruling. In August of 2004, as  
13 a result of that decision, Home Depot decided to  
14 reverse its decision to move the business overseas  
15 and, instead, had advised Gleason that it was going to  
16 resume purchasing hand trucks from us once again and  
17 also purchase some hand trucks from our competitor,  
18 Harper.

19 You can see, therefore, in this schedule, in  
20 the months of September, October, November of 2004, we  
21 start to see a buildup again in our sales to Home  
22 Depot. Those are estimates based upon schedules that  
23 we've been provided and analyses that we have  
24 conducted based upon historical sales before the  
25 antidumping petition and before the Chinese became a

1 true threat.

2 In November of 2004, next month, that is  
3 when you will make your final determination. If your  
4 final determination is negative, the sales that we  
5 have presented in column G and column I reflect what  
6 we intend our sales to be to Home Depot as a result of  
7 that finding.

8 We have presented similar information for  
9 the other hand trucks that we sell to Home Depot. You  
10 can see that in the other pages of this exhibit, and  
11 we have done a similar analysis for Lowe's.

12 Now, once you take those sales numbers and  
13 add those to the historical sales of all other  
14 accounts, we were able to prepare our pro forma  
15 financials that you can see on page 2 of this Schedule  
16 12, Exhibit 12, and, again, this has been restated in  
17 the calendar year format. So you can see the net  
18 sales number decline from 2003 to 2004 and even  
19 further decline in 2005, and you see what kind of  
20 adverse impact that has on our net income for the  
21 corresponding periods.

22 These numbers are real, these numbers are  
23 significant, and these numbers are irreparable; and,  
24 of course, these are the best-case scenarios.

25 I should also point out that when the ITC

1 accountant was in our offices in Los Angeles last week  
2 verifying our information, we walked him through the  
3 methods that we used in order to prepare this  
4 information. The pro forma financials take into  
5 account the business that we lost or would have lost  
6 but for this antidumping investigation according to  
7 the schedules previously provided by our three largest  
8 customers. They do not take into consideration the  
9 additional losses we would experience by the chain-  
10 reaction effect mentioned earlier.

11           These statements confirm the devastating  
12 impact of the current lost sales on our bottom line.  
13 Needless to say, if the Gleason Group does not receive  
14 the requested antidumping relief, this drop will  
15 certainly be translated into employee layoffs, plant  
16 consolidations, and plant shutdowns.

17           Massive imports of hand trucks from China  
18 sold at dumped prices that undersell the competitive  
19 prices offered by the U.S. industry are driving us out  
20 of business. In some industries, firms in our  
21 situation have opted to make the transition from being  
22 domestic manufacturers to being importer resellers or  
23 distributors. Although that type of transition  
24 typically means massive dislocation and displacement  
25 of those companies' workforces, the companies can at

1 least survive and maintain some level of  
2 profitability.

3 In our industry, however, that type of  
4 transition is impossible. Even aside from the  
5 hardship that it would cause the several hundred  
6 workers at our manufacturing facilities, the fact of  
7 the matter is that the largest-volume U.S. purchasers  
8 are establishing, or already have established, direct  
9 purchasing relationships with the Chinese suppliers  
10 that eliminate the role of the middle man.

11 In a recent newsletter published about the  
12 2004 China International Hardware Show, it is reported  
13 that China in one decade has become the largest  
14 hardware manufacturer in the world, with export volume  
15 reaching \$16.27 billion in 2003, up by 14.9 percent  
16 from 2002. China's hardware products are expected to  
17 maintain a 10-percent-plus annual growth rate for the  
18 next five years.

19 For the U.S. hand truck industry, it is  
20 readily apparent that this growth is dependent on  
21 unfair and predatory pricing. Given the severity of  
22 the injury to our industry, we are looking to the  
23 antidumping laws, generally, and the International  
24 Trade Commission, specifically, to enforce the rules  
25 of fair competition. Thank you for your time. I am

1 available to answer your questions.

2 MR. RIFE: Good morning. My name is David  
3 Rife. I'm vice president of sales and marketing for  
4 Harper Trucks based in Wichita, Kansas.

5 Harper Trucks started in the 1940's as a  
6 small, regional, metal fabricator, and it has grown  
7 since into one of the largest hand truck manufacturers  
8 in the world. Our hand trucks are manufactured in a  
9 400,000-square-foot facility. Our process consists of  
10 automated presses and dies that feed 14 robotic  
11 loaders and 12 manual welders capable of producing  
12 over 2,500 units in an eight-hour shift. The  
13 precision of our robotic welders ensures that Harper  
14 Trucks manufactures the highest quality of products  
15 available.

16 Harper Truck supports the antidumping  
17 petition filed by Gleason. Harper Trucks has been  
18 forced to work reduced hours in 2002 and 2003 on  
19 business lost directly to trucks imported from China.  
20 We also had to reduce our workforce in 2003 because of  
21 this competition. Thank you for your time, and I'm  
22 available to answer any questions you may have.

23 MR. STRAW: Good morning. My name is David  
24 Straw. I am the president and chief operating officer  
25 of Magline, Inc. We're in Conti, Michigan.

1                   Magline began operations in 1947. It  
2 manufactures aluminum hand trucks and is the pioneer  
3 of the original lightweight hand truck. Nearly every  
4 innovation that exists in the aluminum hand truck  
5 industry was created by Magline. We produce a high-  
6 quality product recognized and respected in the  
7 industry as the best aluminum hand truck available.

8                   In 2002, I visited several Chinese hand  
9 truck manufacturers with the purpose of benchmarking  
10 our capabilities and searching for lower-cost  
11 components that could be integrated into our own  
12 manufacturing. I discovered that the cost of their  
13 raw materials actually approximated our own. At the  
14 same time, however, I observed the depth and breadth  
15 of the Chinese competition. Each hand truck  
16 manufacturer I visited held thousands of units in  
17 inventory of both finished goods and work in process.  
18 Each employed between 1,000 and 3,000 employees. At  
19 Magline, we have less than 100.

20                   The Chinese hand trucks being imported into  
21 the United States are copies of our products reverse  
22 designed. They are being sold at 30 to 50 percent  
23 below Magline hand truck prices. When I asked about  
24 the prices for hand truck parts, I found it was more  
25 expensive to buy components individually than to buy a

1 fully assembled hand truck. When I asked about this,  
2 I was told by manufacturers that the Chinese  
3 provincial government gave them export credits and  
4 that those credits were larger for assembled hand  
5 trucks than they were for components.

6 All in all, none of the price quotations I  
7 received covered the true cost of the hand trucks  
8 being manufactured in China.

9 Magline supports the antidumping petition by  
10 Gleason. Over the past several years, Magline has  
11 spent considerable amounts in legal fees protecting  
12 our trademarks against infringement with Chinese hand  
13 trucks. Chinese predatory pricing is starting to take  
14 its toll on our company. They are siphoning off a  
15 significant volume of our most popular configurations,  
16 leaving us only the lower-volume, highly  
17 differentiated models. The loss in volume will make  
18 it extremely difficult to invest sufficiently to  
19 support the needs and applications of our customers.  
20 Thank you for your time. I'm available for questions.

21 MR. JAFFE: Thank you. Before we end our  
22 direct testimony, I would like to direct specific  
23 questions to the panel.

24 You heard in the opening statement that the  
25 problems are really not the Chinese imports, that they

1 are really problems of our own. In fact, if you look  
2 at the briefs, the public versions of the briefs, that  
3 were submitted, they make a number of these statements  
4 about quality, about product innovation, about  
5 logistical requirements, and I would like to take  
6 aspects of their brief and ask you directly questions  
7 about these issues.

8 For example, I'm going to begin with page 3  
9 of the brief filed by KMZ Rosenman on behalf of  
10 Liberty Diversified Industries, and on that page they  
11 talk about the quality problems, that this was a major  
12 reason for the domestic purchasers to reject domestic  
13 hand trucks. And specifically, when I go to page 9,  
14 they say, "It is disingenuous for certain domestic  
15 producers to blame low-priced Chinese hand trucks for  
16 their loss of market share and profits when, in fact,  
17 they have had quality problems."

18 Jay, I would like to talk to you. Have you  
19 ever been contacted by any of our purchasers about  
20 quality problems? Have you ever been contacted by  
21 Home Depot?

22 MR. KVASNICKA: We have never been contacted  
23 by Home Depot about any serious quality issues. In  
24 fact, I can tell you that our defective rate at Home  
25 Depot is less than one-quarter of a percent, which is

1 actually pretty phenomenal when you look at not  
2 necessarily the hand truck industry overall standards  
3 but the overall standards that Home Depot sets on  
4 their suppliers.

5 MR. JAFFE: What about Lowe's? Have they  
6 ever contacted you and said, You've got significant  
7 quality problems. We're going to stop purchasing hand  
8 trucks because of that?

9 MR. KVASNICKA: No. As a matter of fact,  
10 again, Lowe's has always be very complimentary of us  
11 on hand trucks, and our percentage there is less than  
12 a half percent.

13 MR. JAFFE: Okay. And what about Grainger?  
14 Have they ever contacted you and told you?

15 MR. KVASNICKA: Grainger has never contacted  
16 us regarding any concerns with two-wheel hand trucks.  
17 There was an incident two years ago, three years ago,  
18 where we lost some business on barrel-handling  
19 equipment, which is not actually two-wheel hand  
20 trucks, and they blamed that partially on some quality  
21 issues but primarily on a design from one of our  
22 competitors. In that particular instance, they  
23 switched the business which they had given us back to  
24 our domestic competitor, and in that case, that was  
25 really more of a design issue which we have since

1 addressed and continue to sell those products to other  
2 customers without any problems.

3 MR. JAFFE: How many units are we talking  
4 about? This is less than 5,000, more than 5,000  
5 units?

6 MR. KVASNICKA: Less than 4,000 units.

7 MR. JAFFE: Less than 4,000.

8 Another thing that they point out, the same  
9 part of the brief, is they talk a lot about the  
10 antiquated designs, that they failed to reengineer the  
11 domestic industry hand trucks to take advantage of new  
12 ergonomic hand styles and wheel designs. Again,  
13 basically, they have done nothing here, and, again, if  
14 I turn to page 9 and paraphrase, they say it's  
15 disingenuous for domestic producers to blame low-  
16 priced Chinese hand trucks for their loss of market  
17 share and profits because you've failed to keep pace  
18 with industry standards for innovation in product.  
19 Could you talk about that first? At Gleason, are you  
20 just putting out antiques, selling antiques?

21 MR. KVASNICKA: Well, first of all, a hand  
22 truck is not the most romantic or sophisticated  
23 category of product that you probably see. But as far  
24 as Gleason has developed over the years, we have been  
25 one of the leaders. In fact, we developed the D-

1 handle design, which you can see over there, as  
2 opposed to the P handle. The purpose for that is to  
3 be more ergonomical. We were also the first people to  
4 come out with an 800-pound-capacity hand truck.

5 In addition, we have offered several  
6 innovative features not only to enhance the product  
7 ergonomically but with other options. However, in  
8 most cases, we are always told by our competitors that  
9 there is no point in even pursuing these because they  
10 said, You know, we're just going to take these, show  
11 them to China, and they are going to reproduce them at  
12 a lower price anyway.

13 So we've also been the first people to come  
14 out with the textured paint finish. As you can see  
15 from the Chinese import behind it, they have copied  
16 that. In fact, they even went as far as copying our  
17 point-of-purchase material, which is on the front of  
18 our truck. Unfortunately, it's not shown on the  
19 sample here.

20 They asked us for a very inexpensive,  
21 lightweight, homeowner truck, and we designed a small,  
22 250-pound-capacity truck which they can comfortably  
23 retail under \$19 and make a very good margin.

24 And also, like one of our competitors, we  
25 have designed a lightweight, nylon-poly truck which

1 has become a major source in the industry.

2 MR. JAFFE: David Rife, first. Could you  
3 talk with regard to Harper? I noticed in your direct  
4 statement, you talked about using robots to  
5 manufacture hand trucks. Are you using them, again,  
6 just to manufacture antiques?

7 MR. RIFE: No. Harper automated in the mid-  
8 1980's to robots. We currently have 14 robots that  
9 weld for us to give us a consistency of product. We  
10 have over 3,000 different models available. A lot of  
11 the innovation that they say we don't have doesn't  
12 make its way to the core segment of what this hearing  
13 is about on the box retailers, where they have just  
14 modeled the five basic models available.

15 MR. JAFFE: David Straw of Magline, you were  
16 talking about being the leader and the innovators.  
17 Again, are you just manufacturing antiques?

18 MR. STRAW: If you consider the four major  
19 components that go into a hand truck, -- the nose, the  
20 wheels, the frame, and the handles -- Magline makes  
21 over 3 million combinations. We have several patents  
22 and several trademarks. We make and manufacture  
23 products for specific applications by our customers.  
24 So from the standpoint of design, we're continually  
25 working on different designs for the product.

1           MR. JAFFE: They have also made a reference,  
2 same page as pages 3 and 4, that you're not keeping up  
3 with the requirement of vendors with regard to  
4 electronic order processing, special packaging and  
5 pallet requirements, precise shipping and delivery  
6 schedules, and fill rates, and, again on page 9, they  
7 say it is disingenuous for you to blame low-priced  
8 Chinese hand trucks for the loss of your market share  
9 and profits because you've failed to keep pace with  
10 industry standards for logistic requirements.

11           Let's try, first, Jay, if you could, talk  
12 about, does Gleason use electronic order processing?

13           MR. KVASNICKA: Yes, we do, and we have done  
14 that for probably seven or eight years.

15           MR. JAFFE: David Rife, what about Harper?  
16 Do you use electronic order processing?

17           MR. RIFE: We use EDI for both order, for  
18 invoicing, and also order shipment.

19           MR. JAFFE: David Straw, what about Magline?

20           MR. STRAW: The same. We've been taking EDI  
21 requirements from customers for about five years.

22           MR. JAFFE: Jay, could you talk -- do you do  
23 any special packaging and pallet requirements?

24           MR. KVASNICKA: Yes. First of all, the  
25 packaging is generally dictated in part, as far as

1 pallet quantities and shipping requirements, by the  
2 customer. We work very closely with all of our  
3 customers to design pallets in configurations that,  
4 you know, are best suited to their receiving  
5 departments, whether they receive at a store or  
6 possibly a distribution center. Gleason was very  
7 instrumental in designing a pallet for Home Depot  
8 which allow us to put 26 hand trucks on a pallet, thus  
9 significantly reducing their freight rates for each  
10 truck that is shipped.

11 MR. JAFFE: David Rife, could you talk about  
12 Harper? Do you use special packaging requirements?

13 MR. RIFE: We package, like Jay said, to the  
14 customer's demands. Out there, we have a packaging  
15 engineering firm that is based in Wichita that we used  
16 to help design better packaging to reduce damage of  
17 our product from our facility to the retail  
18 establishment.

19 MR. JAFFE: David Straw for Magline?

20 MR. STRAW: We also receive several  
21 specifications from customers for packaging and meet  
22 all of those requirements.

23 MR. JAFFE: Okay. And, last, precise  
24 shipping and delivery schedules, fill rates. First,  
25 Jay, could you explain what a "fill rate" is?

1                   MR. KVASNICKA: A fill rate is the  
2 percentage of product that you ship on time and as a  
3 complete order in comparison to the percentage they  
4 order. So if you ship 100 percent of your product,  
5 your fill rate is 100 percent.

6                   MR. JAFFE: Can you reveal for the public  
7 record what Gleason's fill rate is, and, if not, could  
8 you say whether it's above or below acceptable level?

9                   MR. KVASNICKA: No. Gleason's fill rate  
10 with all of our customers is over 98 percent, and the  
11 only reason it's not 100 percent is in an instance  
12 where you make a shipment, and it is inadvertently  
13 shipped to the wrong location or inadvertently lost by  
14 a trucking company, that adversely affects the fill  
15 rate, but as far as our on-time shipments go, we ship  
16 within two days, and, again, all of our customers  
17 report over 98 percent, which is well above  
18 acceptable.

19                   MR. JAFFE: David Rife, could you speak for  
20 Harper?

21                   MR. RIFE: Our fill rate is, again, over 98  
22 percent. We also do transmit electronically order-  
23 fulfillment data to any customer that does require  
24 that. That will notify them within eight business  
25 hours that their order is on the way, how it was

1 routed, and when it will be delivered.

2 MR. JAFFE: And for Magline, do you use  
3 precise shipping and delivery schedules as well?

4 MR. STRAW: Yes, we do.

5 MR. JAFFE: Thank you. I would like to  
6 refer to page 6 of the brief, and also I'm going to  
7 refer at the same time to page 8 of the Greenberg  
8 brief, which was filed on behalf of the China Chamber  
9 of Commerce and an assortment of Chinese producers.

10 On there, they talk about the price of U.S.-  
11 produced hand trucks did not exhibit a clear trend  
12 during the period of investigation, and, specifically,  
13 on page 8, the Greenberg brief says: "While there is  
14 a price differential between Chinese and U.S. hand  
15 trucks for three of the four products for which price  
16 information was collected, the data do not show that  
17 Chinese imports have depressed or suppressed U.S.  
18 prices."

19 Howard, I'm going to ask this of you. Are  
20 there any situations that you know of in which the  
21 Chinese imports have depressed or suppressed U.S.  
22 prices?

23 MR. SIMON: Well, I think in every situation  
24 that we've experienced, the Chinese prices have  
25 suppressed or depressed our prices. In order to

1 maintain business, we're often faced with having to  
2 lower our price or lose it, and in many situations  
3 we're not even considered as an alternative supplier  
4 to some of these customers because our prices are so  
5 much higher than what the Chinese are able to offer  
6 their product for.

7 MR. KVASNICKA: May I add something to that?

8 MR. JAFFE: Please.

9 MR. KVASNICKA: I would just like to add  
10 that not only through the period of investigation,  
11 which I understand that we are focused on, but this  
12 goes back considerably further, into the mid-nineties.  
13 We have been faced with escalating prices on insurance  
14 and all other types of costs, obviously, raw  
15 materials, and at the same time, we have not increased  
16 prices anyplace. So we've watched our margins  
17 decrease, even while holding prices firm.

18 MR. JAFFE: Thank you. The Greenberg brief,  
19 on page 9 and 10, admits that the volume of Chinese  
20 imports increased both in absolute terms and relative  
21 to U.S. shipments during the period of investigation.  
22 It then says that this growth was not at the expense  
23 of the U.S. industry. It makes two points. The  
24 increase in Chinese imports did not significantly  
25 hamper U.S. production and that the data supports the

1 conclusion that Chinese imports had contributed to  
2 supplying the growth of the overall U.S. account.

3 I was wondering, Howard, again, if you could  
4 address this. Did the Chinese imports in any way  
5 significantly hamper U.S. production?

6 MR. SIMON: Well, first of all, I think that  
7 if you look at the growth of the Chinese imports from  
8 the period of 2001 through 2003, and this information  
9 is presented by the Commission in its prehearing  
10 report on page IV-3, you see that the domestic  
11 producers did not even have an opportunity to enjoy  
12 that growth in market share.

13 The prices that were offered by the Chinese  
14 were so low that the domestic producers did not have  
15 an opportunity to pick up the additional market share.

16 MR. JAFFE: Okay. And did they contribute?  
17 Were they the ones that actually grew the domestic  
18 market for hand trucks?

19 MR. SIMON: No. I don't think that they  
20 grew the domestic market for hand trucks. Jay has his  
21 finger more on the pulse of how the market is  
22 changing, so maybe you can talk about the growth in  
23 that industry.

24 MR. KVASNICKA: I think it's been pretty  
25 much a consistent pattern. We grow the business, we

1 develop the customers, and then they come in and beat  
2 our price so bad that we can no longer compete.

3 MR. JAFFE: Okay. Thank you. I have two  
4 more questions. First, I'm going to throw out a  
5 question to you, Bruce.

6 Pages 3 and 4 of the Greenberg brief talk  
7 about the North American industry classification  
8 system and how the U.S. hand truck industry's  
9 performance significantly exceeds the average  
10 indicators of that particular industrial sector.  
11 Could you talk about that briefly?

12 MR. MALASHEVICH: Yes. There are two  
13 appendices in Gleason's prehearing brief, Appendix A  
14 and Appendix B, that collectively address that issue  
15 in considerable detail. In a nutshell, though, there  
16 is a tremendous difficulty technically in applying the  
17 return-on-assets calculation, the prehearing report,  
18 to multiproduct companies where the assets are shared  
19 in producing not only the like product but other  
20 products.

21 And also, the NAICS code is, I assume, the  
22 closest that can be found to hand trucks, but when you  
23 drill down into the companies comprising the code,  
24 they are not at all comparable in size, technology, or  
25 techniques of manufacture to the hand truck industry.

1 The NAICS code companies also considered very severe  
2 declines in shipments during the recession in the  
3 early 2000's, and this industry has demand going  
4 straight up, although they have not been able to  
5 participate in it. So the comparisons are simply not  
6 appropriate to this case.

7 MR. JAFFE: Okay. My last question. David  
8 Straw, you've talked about your visit to China. There  
9 are currently five Chinese hand truck companies here.  
10 I was wondering, when you were in Qingdao, could you  
11 tell us how many hand truck companies you basically  
12 found just in that particular area of China?

13 MR. STRAW: We surveyed ten, and I believe  
14 there were probably two times that, at least.

15 MR. JAFFE: So 20, total?

16 MR. STRAW: I would say, yes.

17 MR. SIMON: I just wanted to revisit your  
18 question about price suppression because one thing  
19 that is not shown in our data is that in lieu of  
20 actually lowering our price, we had to add additional  
21 features in some of the cases. So by adding features,  
22 that is really equivalent to lowering price. We're  
23 giving them more for what they are paying, so it's not  
24 reflected in the average price per unit, but it  
25 certainly is reflected in an increase in cost per unit

1 as a result of the pressures from the Chinese.

2 MR. JAFFE: All right. Thank you. If I  
3 could ask the Commission's indulgence for just a  
4 moment, please.

5 (Pause.)

6 CHAIRMAN KOPLAN: The clock is running.

7 MR. JAFFE: Thank you. That concludes our  
8 direct presentation.

9 CHAIRMAN KOPLAN: Thank you, Mr. Jaffe. I  
10 want to thank the witnesses. That was a very  
11 effective presentation. Half of my questions are  
12 gone. (Laughter.) So if you want to use the rest of  
13 your time, perhaps you could answer some more of them.

14 Let me begin with this one for Mr. Straw.  
15 This is regarding hand truck parts. Let's see.  
16 Chapter 6, page 10, of the Commission's staff report  
17 states, and I quote: "At the end of the period, and  
18 despite a relatively large decline in the average unit  
19 revenue of unassembled hand trucks, revenue in interim  
20 2004 was higher compared to interim 2003 due to a  
21 sharp increase in the sales quantity of unassembled  
22 hand trucks."

23 Does this represent a trend toward  
24 increasing sales of aluminum hand trucks at the  
25 expense of steel hand truck sales?

1                   MR. STRAW: No, sir, I don't believe so. I  
2 believe that it's more an indicator that the overall  
3 economy was improving. One of the big drivers when  
4 you look at assembled versus unassembled, and I'm  
5 talking specifically of aluminum, are freight costs.  
6 We've seen significant jumps in freight costs in the  
7 last 12 months, surcharges for fuel that go up every  
8 week. It's more cost efficient. You get a smaller  
9 cube by shipping unassembled -- "KD," we call them --  
10 products as opposed to fully assembled hand trucks.  
11 So we think that that has more impact on that trend  
12 going to unassembled.

13                   CHAIRMAN KOPLAN: Thank you. On page 33 of  
14 your prehearing brief, you state that, and again I  
15 quote, "despite the significant increase in demand  
16 over the POI, domestic capacity utilization declined  
17 from 43.3 percent in 2001 to 40.7 percent during  
18 interim 2004. The domestic industry thus has the  
19 capacity to produce and supply the entire domestic  
20 market, as total domestic consumption was less than  
21 domestic industry capacity during every time period  
22 over the POI.

23                   Now, the prehearing staff report indicates,  
24 at Table III-3, that the domestic industry increased  
25 its capacity to produce finished hand trucks in 2003

1 and interim 2004. Can you explain why this occurred  
2 when, as you say, total domestic consumption was less  
3 than domestic industry capacity during every time  
4 period over the POI?

5 MR. MALASHEVICH: Mr. Chairman, I could  
6 speak in general, having seen the proprietary data for  
7 all of the companies, and I invite those represented  
8 here to speak as well.

9 CHAIRMAN KOPLAN: I should have said this  
10 initially. If you can continue to identify yourselves  
11 for the record for purposes of the court reporter.

12 MR. MALASHEVICH: Yes. Pardon me. I'm  
13 Bruce Malashevich with Economic Consulting Services.

14 This is an issue discussed at considerable  
15 length during verification last week. Basically  
16 speaking, the general constraints, at least in the  
17 steel end, is on the welding machines and the welders,  
18 and the welders are sort of polymorphous, in that for  
19 two hours of the day they could be welding hand  
20 trucks, another six hours of the day they could be  
21 welding other kinds of products that are not part of  
22 the like product, and depending upon the number of  
23 stations deployed, they could be working one shift,  
24 two shifts, or three shifts, even though within any  
25 given shift the worker could be splitting his time

1 between like product and other product.

2 In addition, depending upon the complexity  
3 of the individual hand truck, a particular workstation  
4 can turn out 50 units per shift, or in one case we  
5 showed staff production records where a welding team  
6 produced 500 units per shift of one of the more simple  
7 designs of a hand truck.

8 So what the industry did, to the best of its  
9 ability, is try to fulfill the instructions in the  
10 questionnaires to indicate their maximum sustainable  
11 capacity, but that doesn't mean that at any one time  
12 the welders at a given plant are working at only 40  
13 percent of capacity. They are working at, say, 40  
14 percent of the maximum capacity for hand trucks if all  
15 of the welding stations were devoted to the  
16 manufacturing of hand trucks. So it's a fairly  
17 elastic concept that the industry has interpreted, to  
18 the best of its ability, for purposes of the  
19 Commission's questionnaires.

20 CHAIRMAN KOPLAN: Thank you very much. Mr.  
21 Straw and Mr. Rife, if you want to add capacity, are  
22 additional capital expenditures necessary, or do you  
23 simply add more people to the production process?

24 MR. STRAW: At the moment, we would probably  
25 add more people.

1                   CHAIRMAN KOPLAN: Mr. Rife?

2                   MR. RIFE: We would have to probably do both  
3 right now, capital equipment being robots, there are  
4 additional dies and presses and also people to operate  
5 those.

6                   CHAIRMAN KOPLAN: Thank you. On page 41 of  
7 your prehearing brief, you state that the decline in  
8 capital expenditures during the POI, and I quote,  
9 "affects the ability of the domestic industry to  
10 develop, add, and efficiently produce new products."  
11 That doesn't appear to be consistent with a statement  
12 you have on page 16 that says: "A hand truck is not,  
13 relatively speaking, an elaborately designed product.  
14 It requires straightforward, industrial-machining  
15 equipment; knowledge of basic manufacturing  
16 techniques; and certain readily available input  
17 materials. The last major change in the production  
18 processes or factor inputs happened more than 15 years  
19 ago when manufacturers migrated from wet paint to  
20 powder coating."

21                   Could you reconcile those two statements for  
22 me? Mr. Simon?

23                   MR. SIMON: Yes. I'll be glad to. I think  
24 that when you talk in terms of the basic design of a  
25 hand truck, those statements are, in fact, true, but

1 often customers will require hand trucks to be  
2 produced for specific applications. So in order for  
3 us to continue to respond to the needs of those  
4 customers, additional capital equipment in the form of  
5 dies, perhaps additional welders, but most likely  
6 dies, would be required.

7 If the demand is not there, in other words,  
8 if our customers are not giving us the opportunity to  
9 produce those products for them, then, of course,  
10 there is no need to make the capital investment.

11 In order to produce samples to demonstrate  
12 to the customer that we are capable of producing a  
13 product that would meet their needs, we really don't  
14 have to make any major capital investment. We are  
15 able to produce those hand trucks off of our current  
16 equipment and perhaps do a little blacksmithing in  
17 order to get a production sample available for sample  
18 purposes.

19 CHAIRMAN KOPLAN: Thank you. Could I hear  
20 from the other industry witnesses as well on this one?  
21 Do you agree? Mr. Rife?

22 MR. RIFE: David Rife, Harper Trucks. I  
23 agree with Howard's statement.

24 MR. STRAW: I also agree, but I think  
25 there's a couple of other issues as well. I think

1 you're going to discover that material is a pretty  
2 significant cost in manufacturing, and in light of the  
3 competitive pressure we're feeling from around the  
4 globe, we've had to take a close look at every  
5 manufacturing process, and it has driven some tooling  
6 decisions. To the extent you see opportunities being  
7 closed off or you being limited access to certain  
8 customers, this certainly impacted capital expenditure  
9 decisions.

10 CHAIRMAN KOPLAN: Thank you. Mr. Kvasnicka?

11 MR. KVASNICKA: I agree with Howard's  
12 statement.

13 CHAIRMAN KOPLAN: Thank you.

14 MR. SIMON: I would also just like to add  
15 that our ability to finance the purchase of additional  
16 capital equipment is controlled by what our lenders  
17 are willing to give us, and when they are looking at  
18 our forecasts based upon what is happening with the  
19 Chinese product, it's very difficult for us to  
20 convince our lenders, who, as I'm sure you can  
21 understand, are quite conservative people, to lend us  
22 additional funds to make that investment. So until we  
23 actually have the business, they are not going to  
24 permit us to make those capital investments to respond  
25 to the what-if scenario.

1                   CHAIRMAN KOPLAN: Thank you very much. I  
2 see my yellow light is on. I appreciate your answers  
3 to my questions. I'll turn to Vice Chairman Okun.

4                   VICE CHAIRMAN OKUN: Thank you, Mr.  
5 Chairman, and let me join in thanking this panel of  
6 witnesses. I appreciate you being here today and for  
7 your testimony, helping us better understand your  
8 industry, and I've found your testimony very helpful  
9 in addressing some of the questions I have, but I have  
10 some more for you.

11                   Let me begin with pricing. We have  
12 confidential pricing data, but I just want the  
13 industry to help me understand the differences in the  
14 channels of distribution and how prices are set. I  
15 think, Mr. Simon, I want to start with you because one  
16 of the things that I've found interesting, both from  
17 your conference testimony and the brief and your  
18 testimony today, is the impact of the big-box  
19 retailers and the impact from their prices on the  
20 other channels of distribution.

21                   When I look at the pricing data we have, it  
22 looks to me that you have really different pricing for  
23 what looks to be -- it's called the same product if  
24 you take our product descriptions, and you have what  
25 it's selling for in the retail channel, the big-box

1 channel, versus what it's doing in the catalog-  
2 distributor channel, huge spreads. Help me understand  
3 why that is. Mr. Kvasnicka, you're the right one.  
4 I'll go to you. Tell me a little bit about that and  
5 how, then, you see this impact because I'm having a  
6 hard time figuring out, with this big of a spread, how  
7 you get that driving in between the channels.

8 MR. KVASNICKA: Well, part of it, I think,  
9 is when you look at those prices, that you have to  
10 understand that we basically are looking at a net  
11 price. When you're looking at the pricing we're  
12 selling these people, different customers in different  
13 industries are required to perform different functions  
14 that are not necessarily the same across the board.  
15 For instance, the big boxes generally are pretty much  
16 of a clear-cut price. They may ask for a rebate or  
17 something like that, but it's pretty simple. When you  
18 get into the hardware co-ops, you have to attend  
19 shows. They request very large rebates because they  
20 have to support large corporate offices. They require  
21 large amounts of advertising money.

22 So, basically, despite the fact that the  
23 prices look different, from our end of the business,  
24 the net prices are very similar.

25 VICE CHAIRMAN OKUN: Mr. Jaffe, did you want

1 to add something?

2 MR. JAFFE: I think when he says the "net  
3 price," -- I just want to clarify it -- you mean the  
4 prices at which the catalogs which Home Depot then  
5 sells to their customers are very similar.

6 MR. KVASNICKA: No. When I say the "net  
7 price," what I'm referring to is what we are, in  
8 effect, selling them by the time we've reduced the  
9 discount. For instance, if it's a \$10 item, and we  
10 give them a \$2 rebate and another dollar in  
11 advertising and another 50 cents towards the shows,  
12 our net price winds up \$6.50.

13 VICE CHAIRMAN OKUN: Okay. And so that  
14 doesn't have to do with, just so I'm clear here, on  
15 our product descriptions. It's not that it's a  
16 different product. So if we're looking at product  
17 run, it has nothing to do with the load ratings --  
18 some of the load ratings in these ranges that we gave  
19 product descriptions for what the pounds are, the same  
20 product going into both the home-improvement hardware  
21 and then into the catalog-distributor channel, same  
22 product.

23 MR. SIMON: No. That's not true at all.  
24 Actually, we have a different product mix that we  
25 might be presenting to the home-improvement channel as

1       opposed to what we would be presenting to the  
2       industrial distributor or the co-op hardware stores.  
3       Also, you have to consider what the material is of the  
4       product that we're selling, whether it's aluminum or  
5       whether it's steel or whether it's nylon, because  
6       that, too, plays a major role in determining our  
7       price.

8                   VICE CHAIRMAN OKUN:   Right.  But what I'm  
9       trying to understand is how we gathered our product  
10      information, we have a product, one, specified for  
11      steel, single-loop-handle truck with a load rating of  
12      400 to 800 pages, P-shaped or D-shaped handle, over a  
13      vertical 50 to 52, toe plate eight to nine-and-a-half  
14      inches by 14 inches.  If I look at that product being  
15      sold, the prices reported in the different channels, I  
16      see differences in the prices, and I'm trying to  
17      understand whether there is something about that  
18      product that is different, even within that  
19      specification, in the different channels of  
20      distribution.  Mr. Rife?

21                  MR. RIFE:   David Rife, Harper Trucks.  There  
22      are some significant differences from the gauge of the  
23      material that could be used, the quality of the wheel  
24      that is put on that product, the size of the base  
25      plate, the overall height of the hand truck.  The

1 product sold to retail from any supplier looks pretty  
2 much like the two trucks that you see in front of you.

3 Products that we sell to what we would call  
4 our industrial distributor would look, you know, to  
5 you, probably similar and to us a lot different:  
6 larger nose plates, better-quality wheels, better-  
7 quality bearings, tubed tires, stair climbers. So a  
8 lot of features that go into the truck that are  
9 required on the industrial, the distributor, or  
10 catalog side doesn't make its way to the retail side,  
11 at least in Harper's product line.

12 VICE CHAIRMAN OKUN: Mr. Simon?

13 MR. SIMON: In other words, they meet the  
14 minimum definition of how we define these product  
15 groups, but they really include a lot more features  
16 than what would meet the eye.

17 VICE CHAIRMAN OKUN: Okay. I may have some  
18 further follow-up maybe for post-hearing on that. Let  
19 me think about that a little more.

20 MR. SIMON: I mean, there is one more issue.  
21 Let's not kid ourselves. The purchasing power of a  
22 Home Depot and Lowe's is massive as it's compared to  
23 the purchasing power of some of these other accounts.

24 VICE CHAIRMAN OKUN: Okay. That's something  
25 that I've found interesting, and we've had a number of

1 cases in recent years where we've talked a lot about  
2 the big-box stores and purchasing power and what they  
3 mean for the competitive condition in which you're  
4 selling your product.

5 The one thing I'm trying to understand, Mr.  
6 Kvasnicka, in your testimony you talked about the fact  
7 that you all were in this market long before the  
8 imports came in, if I heard your testimony correctly,  
9 that you all came in there with your products, and  
10 then it was the Chinese that then came in and took  
11 that market. Is that an accurate representation of  
12 what you said?

13 MR. KVASNICKA: Yes, it is.

14 VICE CHAIRMAN OKUN: Okay. So when you  
15 started selling to the big-box stores, did you, at  
16 that point, the prices you had somewhere else, you had  
17 to drop your prices significantly just because you're  
18 selling to a Home Depot or a Lowe's?

19 MR. KVASNICKA: Yes. Well, first of all,  
20 let me say that we focus so much on the period of  
21 investigation here because the imports from China have  
22 been such a significant factor in the last three  
23 years, but this really dates back well into the early-  
24 to-mid-nineties where the imports have driven prices  
25 down.

1                   However, typically, at a line review, for  
2 instance, the initial line review where we are awarded  
3 the business, we will bring in manufacturers like  
4 Gleason or Harper and the other domestic  
5 manufacturers, over the period of either a couple of  
6 days or possibly even the same day, and you give them  
7 a price. And they may come back to you and say,  
8 "Well, we would buy this, but you have to lower your  
9 price to this," and they probably turn around and go  
10 back to Harper and say, "We would buy it from you if  
11 you would lower your price to this," and then they  
12 come back to us and say, "Well, Harper has lowered  
13 their price." So it gets to a point between the two  
14 where finally somebody says uncle, and that pretty  
15 much sets the pricing.

16                   MR. SIMON: And also, we would like to  
17 pretend that the price that we set our product for is  
18 dependent upon our costs, but, in reality, it's the  
19 market that's really driving the price at which we can  
20 sell our product, and in that line-review situation,  
21 there were not just domestic producers invited to that  
22 review process, but the Chinese manufacturers were  
23 there as well.

24                   So, at that time, I believe that there was a  
25 significant price differential between the American

1 product and the Chinese product, but there were also  
2 other factors that the American manufacturers were  
3 able to demonstrate that did weigh heavily in their  
4 decision to tilt the scales towards the American  
5 product at that time.

6 VICE CHAIRMAN OKUN: Okay. You've kind of  
7 led into what was my next point. I know, Mr. Jaffe,  
8 in his questions to you, talked about the price  
9 suppression or depression and how you've felt it, and  
10 that's one thing that I'm curious about because I  
11 think what I did understand from that is while your  
12 prices have gone up, you haven't had a price increase,  
13 and I think you gave a year -- when was your last  
14 price increase?

15 MR. SIMON: 1997.

16 VICE CHAIRMAN OKUN: 1997. Okay. So during  
17 the period of investigation, I'm trying to make sure  
18 that I understand what's attributed to the imports.  
19 In other words, if I look at our pricing data, the  
20 prices are fairly stable, and so I want to make clear  
21 that what I understand from you is the fact that you  
22 couldn't raise your prices when your costs were going  
23 up that you find most significant. Is that --

24 MR. SIMON: Well, also, you reach a point,  
25 as Jay says, where you have to cry uncle, and so if

1 we're presented with an opportunity to quote on new  
2 business, and we can't go any lower, the only way to  
3 react is to drop out of the race. And so if you're  
4 going to drop out of the race, the sales that you've  
5 enjoyed in the past that haven't been affected will  
6 remain at the same level at the same price.

7 VICE CHAIRMAN OKUN: Okay. So it's both the  
8 volume, lost opportunity on volume and inability to  
9 raise the prices.

10 MR. SIMON: Absolutely.

11 VICE CHAIRMAN OKUN: My red light is on.  
12 Thank you, Mr. Chairman.

13 CHAIRMAN KOPLAN: Thank you, Madam Vice  
14 Chairman. Commissioner Miller?

15 COMMISSIONER MILLER: Thank you, Mr.  
16 Chairman, and thank you as well to all of the  
17 witnesses. Your testimony has been very informative  
18 and very helpful. As the vice chairman said, you're  
19 not the first Home Depot case to be before us, but I  
20 think, Mr. Simon, your description of the scenario of  
21 events was very, very precise and very useful.

22 MR. SIMON: Thank you. (Off mike.)

23 COMMISSIONER MILLER: Well, there is  
24 probably someone back there who will. (Laughter.)

25 I was interested and had the same question

1 about the different channels of distribution. I have  
2 a similar kind of question about the competition among  
3 the producers. Mr. Kvasnicka, you talked about the  
4 competition with Harper. As I look at this industry  
5 as it's presented to us in the staff report, ten  
6 producers of pretty widely varying size, a lot of real  
7 small producers, a handful of larger ones, but a lot  
8 of small producers.

9 Tell me a little bit about the competition  
10 between the large and the small. I mean, is there  
11 competition between the large and the small, or is  
12 this an industry of a lot of small niche companies?  
13 You know, tell me a little bit just about that  
14 question I have about the structure of the industry,  
15 and I'll let Mr. Straw talk about this. He is in  
16 aluminum, and I want to ask you a question about that  
17 as well, but just help me in general otherwise.

18 MR. KVASNICKA: Well, in the steel truck  
19 industry, yes, there is a lot of competition. Even  
20 amongst the smaller manufacturers, what we will find  
21 often with some of these large companies is they may  
22 split business and give portions of the business to  
23 the manufacturer who is located more regionally in the  
24 area despite the fact that they may not be as large a  
25 producer as, say, a Gleason or a Harper. So it is an

1 ongoing problem or an ongoing challenge for us against  
2 all of the domestic producers.

3 Also, again, over time, a lot of domestic  
4 producers have already been put out of business  
5 because of the imports over the years. So really  
6 what's left have been the guys that have been able to  
7 survive.

8 COMMISSIONER MILLER: Okay. Mr. Rife, is  
9 that your perception? You answered one of the  
10 questions I had in mind, wondering if some of these  
11 smaller companies are more sort of regionally based.

12 MR. RIFE: We share business with a number  
13 of the smaller companies, and most of the decisions in  
14 the splitting of the business is regionally based  
15 because with freight being such a high cost of  
16 shipping the product assembled, so Jay is right on  
17 that aspect.

18 COMMISSIONER MILLER: Okay.

19 MR. SIMON: I would just like to add -- this  
20 is Howard Simon from Gleason -- we did not start out  
21 as a big producer. We started out as a small  
22 producer, just like all of the other small producers.  
23 Through the fortunate alignment with Home Depot and  
24 Lowe's and the exorbitant growth that they  
25 experienced, we were able to grow with them, and so

1 that is what really has pushed us into a different  
2 category. We still service a lot of these smaller  
3 accounts that we first started selling when we were  
4 just a small producer as well, and we try to be just  
5 as service oriented and competitive on price and  
6 answer all of their needs as well.

7 COMMISSIONER MILLER: Okay. Mr. Straw, what  
8 about the competition between aluminum and steel? Is  
9 there competition? Tell me a little more about the  
10 aluminum market separately.

11 MR. STRAW: All of my distinguished  
12 colleagues here at the table compete with us on  
13 aluminum. They all have a product offering that  
14 competes similarly to ours. Magline is a little bit  
15 different from the standpoint that we have really  
16 focused our efforts and our energies on a different  
17 type of customer, the kind of individual who requires  
18 the hand truck to do their living, so soft drink,  
19 beer, food service, parcel delivery. We helped Bill  
20 Clinton move out of the White House.

21 COMMISSIONER MILLER: Okay. (Laughter.)

22 MR. STRAW: That's really our focus. The  
23 professional industry user has been our customer. So  
24 we do have competition, but I think it looks very  
25 different. It's someone who specifies with a fair

1 degree of description what they are looking for in  
2 terms of the product.

3 COMMISSIONER MILLER: And they want the  
4 aluminum hand truck because it's lighter weight.

5 MR. STRAW: Yeah. It weighs a third less.

6 COMMISSIONER MILLER: All right. Okay. But  
7 as you've said, you all specialize in that area. Most  
8 of the other producers do both?

9 MR. STRAW: Yes. They offer both, yes.

10 COMMISSIONER MILLER: Okay, okay. A couple  
11 of you made a comment -- Mr. Rife, you first, and Mr.  
12 Straw as well -- about how many different models you  
13 make. Mr. Rife, you said 3,000 models. Mr. Straw,  
14 you said, like, three million, I think.

15 MR. STRAW: I'll do the math for you.

16 COMMISSIONER MILLER: And I'm thinking to  
17 myself, how do you do that? What does that mean for  
18 the manufacturing process? How do you do that?

19 MR. RIFE: From a sales side of it, it's one  
20 of our values that we get to sell. If Hugh Sales, our  
21 plant manager was here, he would say it's one of the  
22 detriments of having 3,000 different models.

23 COMMISSIONER MILLER: Okay. (Laughter.)

24 MR. RIFE: So it depends on your position  
25 within our company on whether it's good or bad.

1                   COMMISSIONER MILLER: All right. I got it.  
2 All right. Mr. Straw? Do you make most of your  
3 products really very custom for the particular  
4 customer out there --

5                   MR. SIMON: Yes.

6                   COMMISSIONER MILLER: -- that they  
7 specifically want this set of features?

8                   MR. SIMON: Within even the same customer.  
9 If you look at our aggregate business, I think we're a  
10 fairly significant supplier of aluminum hand trucks,  
11 but if you look at it on a per-individual-model basis,  
12 there is not one that's particularly large in volume  
13 as compared to my competitors here. Within a customer  
14 -- Budweiser might buy 50 or 60 different models  
15 regionally around the country. That's not unusual.  
16 That's fairly typical.

17                   COMMISSIONER MILLER: Mr. Simon?

18                   MR. SIMON: Howard Simon again.

19                   COMMISSIONER MILLER: Yes.

20                   MR. SIMON: I would just like to add that at  
21 the preliminary hearing, I mentioned that 95 percent  
22 of the market was comprised of about five basic  
23 models, so it's important to keep in perspective that  
24 we all have the ability and probably have pictures in  
25 our catalog of all of these different combinations and

1 permutations, but as a practical matter, you know,  
2 you've heard of the 80/20 rule, that probably 80  
3 percent of our business is being represented by about  
4 20 percent of our products.

5 COMMISSIONER MILLER: Okay. Now, that's --  
6 I was going to ask you, for Gleason, whether you make,  
7 you know, as large a number of varying models or if  
8 for you, perhaps because Home Depot, they are not  
9 stocking a thousand different models of these things -  
10 - I haven't done my consumer research yet, you know.  
11 I probably will before the case is over, but I haven't  
12 been there to see. I'm going to guess there are, you  
13 know, only a couple of different models on the floor,  
14 at most, or whatever. I don't know.

15 MR. SIMON: That's correct. And I think  
16 that if you looked at the list of products that we  
17 have actually shipped over the last year, that list  
18 would probably be about 500 different styles, and,  
19 obviously, it's in our best interest to narrow that  
20 list down, from a manufacturing perspective. As David  
21 mentioned, from a sales perspective, you want to be  
22 something to everyone, and so we always have that  
23 constant internal battle.

24 MR. KVASNICKA: May I add one other thing to  
25 that? Jay Kvasnicka of Gleason.

1                   COMMISSIONER MILLER: Yes, Mr. Kvasnicka.

2                   MR. KVASNICKA: Part of the reason for  
3 having such a large variety of SKUs is because places  
4 like Home Depot and Lowe's are so dominant in the  
5 marketplace, the smaller distributors, the smaller  
6 retailers, they want to do something different. They  
7 want to try and look a little bit differently because  
8 they are not going to be able to work on the same low  
9 margins that a Home Depot works on. They are going to  
10 demand higher margins, and so they look for other, you  
11 know, maybe something as simple as adding an  
12 additional cross strap or putting some wheel guards on  
13 it or something to differentiate their product a  
14 little bit. Every time you do that, you really have a  
15 new hand truck.

16                   We've focused so much on Home Depot and  
17 Lowe's and Grainger and these people here today, but  
18 our customer list is over 2,000 customers. You know,  
19 we have a lot of customers.

20                   COMMISSIONER MILLER: Okay.

21                   MR. SIMON: I would also just like to add  
22 that at Home Depot, as I believe Commissioner Miller  
23 pointed out, the shelf space is limited to about four  
24 to five different types of hand trucks, and Home Depot  
25 will purchase the hand trucks for a particular region

1 from just one manufacturer. So, again, that is really  
2 a limiting factor in how many different types we can  
3 sell.

4 COMMISSIONER MILLER: Okay. All right.  
5 Every other line of question I have is probably going  
6 to take as long as that one did, so I won't do any of  
7 the others at this moment with the yellow light on. I  
8 appreciate your answers. They were very helpful.

9 CHAIRMAN KOPLAN: Thank you, Commissioner.  
10 Commissioner Hillman?

11 COMMISSIONER HILLMAN: Thank you, Mr.  
12 Chairman, and I would join my colleagues in thanking  
13 you very much. We appreciate your taking the time to  
14 be with us and helping us understand your industry.

15 I guess I'm going to piggy-back a little bit  
16 on the questions that Vice Chairman Okun and  
17 Commissioner Miller were asking because it does go to  
18 this issue of the relationship between the price of  
19 the products and the differences among them, the  
20 features, et cetera, and maybe, Mr. Simon, if I can  
21 start with you.

22 You mentioned that, in this issue of what's  
23 happened to the prices, that one of the things that's  
24 happened that maybe is not reflected in our data is  
25 that while you may not have lowered the price, you've

1 added features. Help me understand, first of all, how  
2 much of that has actually occurred, what kind of  
3 features you're adding.

4 I'm trying to get some sense of how to  
5 quantify that. How much does it cost you to add the  
6 features? In an ideal world, how much would you have  
7 changed the price for those features? I'm having  
8 trouble understanding how much of a price-suppressing  
9 effect this issue of adding features has had. How  
10 often does it happen? What portion of your products  
11 have you added features to but not added price?

12 MR. SIMON: Unfortunately, that information  
13 that you're requesting is probably crossing over that  
14 line of what's proprietary and what is not, and we  
15 would be happy to respond to that in a post-hearing  
16 brief, if that would be okay with you.

17 COMMISSIONER HILLMAN: Okay. Fair enough.  
18 Can you give me in a public session just some sense of  
19 what features we're talking about that you have  
20 actually added to these products and then not sought a  
21 price increase? What are we talking about? Mr.  
22 Kvasnicka?

23 MR. KVASNICKA: Yes. A couple of the  
24 features -- in fact, you can see these in the  
25 comparison between one of our hand trucks and the

1 Chinese hand truck. We might add additional cross  
2 straps, wires that go across. We might add what's  
3 called "wheel guards," and that's the small plate in  
4 front of the wheels that if you put a bag or a floppy  
5 box on there or something, it would keep it from  
6 rubbing against the wheel. Another feature might be  
7 to increase the size of the toe plate. Our standard,  
8 nine-inch toe plate, we could increase to an 18-inch  
9 toe plate or perhaps increase the size of the tubular  
10 steel from one inch to an inch and a quarter, just  
11 things, again, that we talked about earlier to  
12 differentiate in some cases from other customers.

13 MR. SIMON: And one of the other features  
14 that we did add is that we increased the load capacity  
15 of our hand truck from 600 pounds to 800 pounds, and  
16 by doing that, we had to actually purchase a different  
17 tire. So the components that Jay has identified, in  
18 addition to the tire, are very price sensitive to  
19 what's going on in the market, and it's no surprise to  
20 anybody that with the cost of steel escalating as  
21 quickly as it has over the last year, that those  
22 material changes are relatively significant to us. It  
23 does affect the cost of our product substantially.

24 COMMISSIONER HILLMAN: Okay. I do  
25 appreciate that the actual specifics are, no doubt,

1 confidential information, but if you can provide for  
2 us as much sort of clear evidence of -- again, I want  
3 to know sort of the quantity. How much of your  
4 product did you add these features to? What features  
5 did you add? What cost did that add to you, and,  
6 again, what price would you have normally expected to  
7 get for those add-on features?

8           Again, if there is a price list or something  
9 else that would show us what you would have, should  
10 have expected to get in terms of a price increase that  
11 you were not able to get, I think it would help us get  
12 a better feel for how significant this issue of added  
13 features not really showing up as price suppression  
14 but from your end affecting your bottom line.

15           Mr. Rife or Mr. Straw, did you engage in a  
16 similar pattern of adding features to your products  
17 that you would otherwise have been seeking a price  
18 increase for and not doing so? Have you added  
19 features to your products without increasing the  
20 price?

21           MR. STRAW: Yes. We've added features to  
22 our products in the last two years, but that was to  
23 differentiate our products particularly from the  
24 competition and to offer customers more value. In  
25 some cases, the cost might have been approximately the

1 same; in other cases, a little bit more. But at the  
2 end of the day, in support of Mr. Howard's comments,  
3 you are required to continually make adjustments in  
4 the product to provide value to your customers or risk  
5 the consequences.

6 COMMISSIONER HILLMAN: In past times, would  
7 you have expected to get a price increase for adding  
8 those features, or is that part of just staying  
9 competitive?

10 MR. STRAW: I think it's part of staying  
11 competitive at the moment.

12 COMMISSIONER HILLMAN: Okay. Mr. Rife?

13 MR. RIFE: Yes. We have added features. Of  
14 course, when you add features, you do try to get a  
15 price increase. You do try to show the value of the  
16 features and benefits that you're doing.

17 Unfortunately, with the competitive situation that  
18 we're facing now, no one is buying those features at  
19 an additional price, so we end up holding prices.

20 Some of the things we've done, Gleason has  
21 done, is we've gone to a more expensive, heavy-weight  
22 tire. We've increased the size of our tubing from a  
23 one inch to now one and a quarter inch, which is now  
24 standard for us. Those are all things that had  
25 additional costs that we would hope would translate to

1 retail value, but, unfortunately, with the price  
2 competition that we're faced with, it was not able to  
3 be done.

4 COMMISSIONER HILLMAN: And who is driving  
5 these changes? Are your customers saying, "I want a  
6 higher load-bearing product, I want bigger wheels," or  
7 is this something, you're putting it out, you're  
8 offering it in order to make yourself more  
9 competitive?

10 MR. RIFE: I believe, both. Some of the  
11 innovations do come back from the marketplace back  
12 from the customer, back to us, but when you see  
13 pricing deteriorating, your sale price keep lowering,  
14 you have to try to react the best way you can as a  
15 manufacturer, and you do try to look for improvements,  
16 and you do hope that that will separate you enough  
17 from your competition. Unfortunately, over the past  
18 three years, at retail, these big-box stores, which  
19 we're focusing on today, that has not been the case.

20 COMMISSIONER HILLMAN: Okay. And again, the  
21 same question to both of you. If there is  
22 documentation -- again, I'm trying to get a sense of  
23 the quantity, the percentage of products in which  
24 you've added features but not gotten a price increase  
25 for those features over the POI. If there is anything

1 that you can help us understand this issue in terms of  
2 getting some sense of how significant a factor this, I  
3 think it would be very helpful.

4 Mr. Kvasnicka, did you want to add  
5 something?

6 MR. KVASNICKA: Yes. I just wanted to add  
7 something. And I think a classic example is one of  
8 our largest customers, Home Depot, when they advised  
9 us that they were going to switch to imports,  
10 obviously we did everything we could. We really did  
11 not have any room to go to lower prices, so what I did  
12 was I took a truck, added some features, took it in to  
13 meet with them, and said, Look, this is what we're  
14 going to do. We're going to increase the capacity to  
15 800 pounds. We're going to give you this bigger toe  
16 plate. We're going to do this, and we're going to  
17 just eat the cost of this. We'll give it to you at  
18 the same price.

19 And the buyer -- I have pretty good  
20 relationships with many of these guys -- just looked  
21 at me, and he said, You know what? Why do you even  
22 show that to me because you know all that's going to  
23 happen is I'm going to take this, put it in our store,  
24 and our import department is just going to copy it  
25 from China, and they will probably lower the price.

1 So, you know, all you're doing is giving away  
2 strategy, and it's really not going to do you any good  
3 because it will just be duplicated anyway.

4 COMMISSIONER HILLMAN: Okay. I appreciate  
5 that. Thank you.

6 Help me understand the approximate shares in  
7 the market for hand trucks that are accounted for  
8 mainly as steel product versus aluminum product versus  
9 plastic. Do you have a sense of that? I'm just  
10 trying to get a sense of where, Mr. Straw, how big  
11 your sort of aluminum niche product is. I don't want  
12 to say "niche," but how big is aluminum versus steel  
13 versus this newly developing plastic market, light-  
14 weight market?

15 MR. STRAW: My sense is it's about 20  
16 percent of the total.

17 COMMISSIONER HILLMAN: Twenty percent of the  
18 market is aluminum. Anybody else?

19 MR. KVASNICKA: There really isn't any  
20 industry data that supports this. We've felt that  
21 plastic/nylon is probably around 3 percent and the  
22 aluminum, around 10 percent, and then the balance  
23 would be steel.

24 COMMISSIONER HILLMAN: And the rest would be  
25 steel. And plastic is a fairly new phenomenon? It

1 will become available when, nylon/plastic?

2 MR. RIFE: We introduced the nylon-polymer  
3 truck in 1996. We received patent on it in late 1996.

4 COMMISSIONER HILLMAN: Okay. All right. I  
5 appreciate that. I see that the yellow light has come  
6 on, so rather than start another line of questioning,  
7 I'll wait until the next round. Thank you, Mr.  
8 Chairman.

9 CHAIRMAN KOPLAN: Thank you, Commissioner.  
10 Commissioner Lane?

11 COMMISSIONER LANE: Thank you. I appreciate  
12 the specificity with which you all have made your  
13 presentations this morning.

14 Mr. Simon, let's look at your exhibit on the  
15 pink paper with pro forma numbers. Did you do a pro  
16 forma on what your bottom line would look like if you  
17 chose to sell your product to Home Depot, Lowe's, and  
18 Grainger at the Chinese prices?

19 MR. SIMON: No, I did not do that. With all  
20 due respect, I think that would be an exercise in  
21 futility since the prices at which the Chinese are  
22 selling their products are below our material costs.  
23 We wouldn't be here today if that was the approach  
24 that we would have to take to retain that business.  
25 But I'll be glad to provide that for you in a post-

1 hearing brief, if you would like to see what it would  
2 look like.

3 COMMISSIONER LANE: No. That's okay. I was  
4 just curious if you had actually done that.

5 But let's stay on the same subject a little  
6 bit. When you deal with Home Depot -- I'll just stick  
7 with Home Depot, recognizing that the answers are  
8 probably the same with Lowe's and Grainger. How often  
9 do you deal with Home Depot on a yearly basis to  
10 determine if you're actually going to be selling to  
11 Home Depot? I might not have asked that correctly.

12 MR. SIMON: No. We understand.

13 COMMISSIONER LANE: How many times do you  
14 expect to have orders from Home Depot on a yearly  
15 basis?

16 MR. KVASNICKA: This is Jay Kvasnicka with  
17 Gleason. If I'm understanding the question correctly,  
18 first of all, if you're saying specifically orders, we  
19 receive orders every day, but if you're talking about  
20 as far as reviewing pricing and those types of things,  
21 every customer is different. For instance, a Lowe's  
22 will review it every year. It's a policy of the  
23 company to do an annual review. Home Depot, normally,  
24 the program will pretty much stay in place until  
25 somebody comes in and gives them a reason to change

1 it.

2 So, you know, the last reason to change it  
3 was the ruling in May for them to conduct a line  
4 review; otherwise, if it hadn't been for that, I'm  
5 certain that that program -- the couple of SKUs we had  
6 remaining and the import SKUs would have remained  
7 there for several years because they really hadn't  
8 done anything since 1997 prior to that. Did I answer  
9 your question? I'm not sure if I have.

10 COMMISSIONER LANE: Well, I'm just sort of  
11 curious as to if Home Depot decides that it's going to  
12 go to another supplier, how much of a lead time do you  
13 have for that expectation before you know that you're  
14 going to not be able to sell to Home Depot?

15 MR. KVASNICKA: Well, I think that's really  
16 demonstrated in our financial reports that we provided  
17 you on Home Depot. That was the reason that they did  
18 not just drop us all at once. They phased product out  
19 slowly and finally dropped all of the product in April  
20 of 2004, the idea being that we had built inventory  
21 from them, and they didn't want to leave us with that  
22 inventory. If we were to say, we don't have anything  
23 in stock, they would have cut off the shipments  
24 immediately. So it was really a case of them working  
25 with us.

1                   MR. SIMON: Also, specifically, in terms of  
2 Home Depot, during the time when they made the  
3 decision to move the business to China, we basically  
4 had no notice. I think that Jay was already putting  
5 together marketing arrangements and working with our  
6 advertising people to produce in-store display items  
7 and other marketing material to sell our trucks, and  
8 then before the bill was even paid, we received a call  
9 from Home Depot that, unbeknownst to this buyer, the  
10 decision was made to move the product to China. So  
11 sometimes we have an advance warning as to what's  
12 going on, but that was a perfect example of how we had  
13 no warning.

14                   MR. KVASNICKA: I'm sorry. In the case of  
15 Lowe's, though we never lost the business, they  
16 advised us that they were going to move the business  
17 to China. They told us in September that they were  
18 making the decision immediately, but it would take  
19 until February for the imports to be up to speed and  
20 for them to get a consistent supply from them, so they  
21 gave us a couple of months, which was basically their  
22 grace period to get the import program in place.

23                   MR. SIMON: Again, it's in our brief, but it  
24 was in June of 2003 when we received notice from Home  
25 Depot that they would be transitioning away from

1 Gleason and to the Chinese. That phaseout was to  
2 begin in the fourth quarter of 2003 and continue  
3 through the first quarter of 2004, and I think that if  
4 you look at the Schedule 12 to our exhibit, you'll see  
5 specifically how that decline in sales occurred.

6 COMMISSIONER LANE: Okay. Thank you. I  
7 would like for someone to explain to me what a nylon  
8 hand truck looks like, or what are the features of it  
9 that are different than aluminum or steel? I'm just  
10 having a hard time picturing a nylon hand truck.

11 MR. RIFE: Our nylon hand truck is an  
12 injection mold, the term we don't like to use on the  
13 sales side, a plastic hand truck, so it would be,  
14 like, the difference between some of the products you  
15 used to see in the old days that were steel and have  
16 converted to plastic or nylon resin. We still have a  
17 steel base plate, the toe plate, which is the part  
18 that actually lifts the load, is still steel, and the  
19 handle is steel. We injection mold two of the side  
20 frame members and cross members that snap together.

21 Advantages over steel: From a manufacturing  
22 side, greater capacity; from a consumer side, it's  
23 rust proof, it's lighter weight, it's more durable,  
24 and won't dent like a steel truck would.

25 COMMISSIONER LANE: And is it painted?

1                   MR. RIFE: No, injection molded much like  
2 this pitcher of water. Black is right into the  
3 injection-mold process, right into the polymer.

4                   COMMISSIONER LANE: And are the facilities  
5 that produce aluminum or steel hand trucks also able  
6 to do the nylon ones?

7                   MR. RIFE: Nylon is a totally different  
8 process to do the frame. It's a totally different  
9 department within our company, and the machines used  
10 are really only injection-mold machines that can only  
11 do injection molding. It is in our same factory. We  
12 operate out of one factory, and we do use components -  
13 - the steel handle and the steel nose are made on the  
14 same machines that produce the total steel hand truck.

15                  COMMISSIONER LANE: Okay. Now, I have some  
16 questions about the parts. Are the parts that are  
17 manufactured in the United States, are they  
18 interchangeable with the parts on hand trucks that  
19 come in from China?

20                  MR. STRAW: Most of the parts that come in  
21 that I'm familiar with our aluminum. Some of them are  
22 interchangeable. Most of them require relocation of  
23 holes, things of that nature. The basic envelope is  
24 the same, but there are some adjustments that need to  
25 be made for them to match up to our product.

1                   COMMISSIONER LANE: For instance, if I had a  
2 hand truck that was made by Grainger, and I ruined the  
3 tire on it, would a Chinese tire fit on it?

4                   MR. STRAW: Most likely.

5                   COMMISSIONER LANE: Okay. I think it was  
6 Mr. Straw or maybe Mr. Rife that talked about -- you  
7 sell directly to your customers or some customers and  
8 not through a distribution center. Maybe it was the  
9 aluminum hand trucks.

10                  MR. STRAW: We do sell some product direct,  
11 a very, very small percentage. The majority of our  
12 product is sold through a channel partner. We don't  
13 sell retail; we sell through industrial distributors,  
14 and we sell through industrial catalogs like Grainger.

15                  COMMISSIONER LANE: Okay. Thank you. My  
16 time is up.

17                  CHAIRMAN KOPLAN: Thank you, Commissioner.  
18 Commissioner Pearson?

19                  COMMISSIONER PEARSON: Welcome to the panel.  
20 It's good to have a chance to visit with you.

21                  First, I just want to mention to  
22 Commissioner Lane that I would be happy to bring in  
23 one of those nylon hand trucks for you to look at. I  
24 can assure you, there is no garter belt attached to  
25 it. It's a different deal. Actually, it works very

1 well -- sturdy, black, just like it's described.

2 With the indulgence of my commissioners, let  
3 me ask a question that deals partly with another case.  
4 What series of aluminum do you use in the manufacture  
5 of hand trucks?

6 MR. STRAW: 6061 and 6063.

7 COMMISSIONER PEARSON: I was afraid you  
8 might say that. If the Commission was to take action  
9 that would limit imports of 6061 aluminum plate, would  
10 that have an effect on your operation?

11 MR. STRAW: Not on hand trucks. We buy --  
12 it's an extruded product, plates of sheet product made  
13 on a different aluminum mill. It's a different  
14 manufacturing process.

15 COMMISSIONER PEARSON: Okay. So the same --

16 MR. STRAW: The plate would have no bearing  
17 on our business.

18 COMMISSIONER PEARSON: -- the same number of  
19 aluminum.

20 MR. STRAW: It is the same alloy, but it's  
21 made in a different manufacturing process.

22 COMMISSIONER PEARSON: Thank heavens. I can  
23 rest more easily now.

24 Mr. Straw, you had mentioned policies of  
25 Chinese provincial governments that were having an

1 effect on the pricing ability of Chinese  
2 manufacturers. Could you talk about that a little  
3 more, please? Do you have more information on what's  
4 going on there?

5 MR. STRAW: The only information I can offer  
6 you is, as it was explained to me, as it was  
7 translated to me, when I asked about the differences  
8 between the assembled product and the components, why  
9 if I added up the components, were they more expensive  
10 than a fully assembled truck, it was explained to me  
11 that they get export credits and that the export  
12 credits were higher for the assembled product than  
13 they were for components.

14 COMMISSIONER PEARSON: Okay. This idea of  
15 export credits or a rebate of export taxes, whatever  
16 is going on here; it's an interesting concept, and  
17 it's beyond the scope of what we do here at the  
18 Commission, of course, but I'm curious, have you had  
19 an opportunity to discuss those policies with the U.S.  
20 Trade Representative's Office or perhaps with the  
21 Department of Commerce?

22 MR. STRAW: No.

23 COMMISSIONER PEARSON: Not claiming any  
24 particular expertise in this area of the GATT, it  
25 wouldn't surprise me at all that what's going on in

1 this case might be a violation of China's WTO  
2 commitments, and in that case, it would probably be a  
3 good thing for it to be brought to the attention of  
4 the appropriate parts of the U.S. government so that  
5 it could be added to the list of issues that the U.S.  
6 government discusses with the Chinese from time to  
7 time. So I would encourage you to do that.

8 The thing is, here, with the antidumping  
9 statutes, we have the possibility of applying what  
10 might be a rather large Band Aid on the problem, but  
11 there is some advantage, if ways can be found to do  
12 it, to deal with the root causes of the problem. That  
13 would be to get the Chinese to clean up their act.

14 MR. STRAW: Yes, sir.

15 COMMISSIONER PEARSON: The Chinese  
16 government, in particular.

17 MR. JAFFE: This is Matthew Jaffe. We  
18 actually did make a substantial filing at the  
19 Department of Commerce discussing a lot of subsidies  
20 that were available to the particular industry,  
21 including a subsidy to pay the legal fees for  
22 antidumping cases, and I know that issue is currently  
23 before the Department of Commerce. But this is a  
24 dumping case, and because it's a nonmarket economy,  
25 they have certain rules about subsidies, and they

1 don't bring subsidy case against nonmarket economies.

2 COMMISSIONER PEARSON: Right. I understand  
3 that. Thank you for clarifying it. I would not want  
4 to think that the antidumping approach is the only  
5 approach that an industry would take in this type of  
6 situation.

7 MR. JAFFE: I should add the word "yet" to  
8 the end of my statement since there is legislation  
9 perhaps pending before Congress on this issue.

10 COMMISSIONER PEARSON: Perhaps going back  
11 again to you, Mr. Straw, absent government assistance,  
12 does the Chinese hand truck industry have any inherent  
13 advantages relative to the U.S. industry?

14 MR. STRAW: None that I'm aware of.

15 COMMISSIONER PEARSON: For instance, since  
16 they may have a lower labor cost, but in this  
17 industry --

18 MR. STRAW: They might have a lower labor  
19 cost. In fact, per hourly basis it was quoted as  
20 being considerably lower. As I mentioned in my  
21 opening statement, we had 60 employees. I never saw  
22 fewer than a couple of thousand, so even at 60 cents a  
23 day it's a lot of -- it's not a demonstrative  
24 advantage that I could see.

25 I don't understand their accounting. I

1 don't understand what drives the cost. To someone  
2 who's been in manufacturing in the U.S. for a number  
3 of years, it didn't seem to me to be demonstrative.

4 COMMISSIONER PEARSON: Well, based on what  
5 I'm hearing from the panel, I have the sense that  
6 labor productivity in the manufacture of hand trucks  
7 in the United States is probably quite a bit higher  
8 than in China.

9 MR. STRAW: Compared in my plant compared to  
10 what I saw, that would be true.

11 COMMISSIONER PEARSON: In your prehearing  
12 brief you've argued that there's the potential for  
13 Chinese producers to shift production from other  
14 products to hand trucks. Can you give examples of  
15 these or other products that Chinese producers might  
16 produce on the same equipment that can be used to  
17 produce hand trucks?

18 I didn't ask that very well. What I'm  
19 wondering is can the manufacturers of hand trucks  
20 shift around in their plants going from some other  
21 product into hand trucks or vice versa?

22 MR. SIMON: Well, having not been in the  
23 factories in China I can just speculate that the  
24 equipment that they use to produce the components that  
25 make up a hand truck are punch presses and benders and

1 welders, so basically any product that is produced out  
2 of steel using equipment for the purpose of stamping  
3 out steel or welding equipment to weld pieces of steel  
4 together could be produced on that same type of  
5 equipment.

6 As far as the painting equipment, again  
7 anything that's made of steel that would be painted  
8 would be able to in all likelihood run through that  
9 system limited only by sheer size.

10 COMMISSIONER PEARSON: Okay. So based on  
11 the somewhat limited knowledge we have of the Chinese  
12 industry, it's not unreasonable to assume that if the  
13 demand in the world for hand trucks suddenly was to  
14 expand that they might be able within the scope of  
15 their current plants to be able to reconfigure things  
16 and manufacture more hand trucks and fewer baby  
17 carriages or whatever else they might be making?

18 MR. SIMON: There's no question in our mind.  
19 Again, since we said that most of the factors that  
20 affect your capacity are just adding people, we know  
21 that they don't have any shortage of people so it  
22 seems like they can expand exponentially to respond to  
23 those needs.

24 MR. STRAW: Mr. Pearson?

25 COMMISSIONER PEARSON: Yes?

1           MR. STRAW: It was my observation that the  
2 same equipment -- not the exactly same, but the same  
3 types of equipment -- were being used to manufacture  
4 carts, garden carts, wheelbarrows, things of that  
5 nature.

6           COMMISSIONER PEARSON: Thank you.

7           In your prehearing brief, you argued that  
8 return on net sales is a better measure of the  
9 domestic industry's financial condition than return on  
10 investment. Can you explain your rationale for that  
11 argument?

12           MR. MALASHEVICH: Bruce Malashevich,  
13 Economic Consulting Services. That's probably my  
14 question, Commissioner.

15           It's not an objection to the notion of  
16 return on investment per se, but the difficulty of  
17 applying this in this industry setting. To go to the  
18 example I used in response to Chairman Koplan's  
19 question earlier, at least in Gleason's facilities  
20 there are all kinds of non-powered, wheeled articles  
21 like and unlike, if you will, that are made by the  
22 same welders at the same welding stations.

23           Depending upon the business that happens to  
24 be going through the door, they schedule a certain  
25 number of hours to work on this product versus that

1 product, et cetera. My understanding is it works  
2 similarly in China.

3 It's very, very difficult to segregate  
4 shared assets of that sort in the way required in the  
5 questionnaire. The companies did so to the best of  
6 their ability, but I'm not sure measuring returns  
7 against that expression of assets would be meaningful  
8 for purposes of the Commission's analysis.

9 In Appendix A to Gleason's prehearing brief,  
10 there also are some business proprietary aspects about  
11 Gleason that would urge you to examine as part of the  
12 answer to your question that further make the measure  
13 of the return on assets appropriate in their  
14 circumstances in this case.

15 Finally, I'm on record in other proceedings  
16 as saying that in order to calculate in textbook  
17 fashion return on investment, you need to consider  
18 interest expense and taxes to arrive at after tax  
19 returns. Those are items, to the best of my  
20 knowledge, the Commission tends not to consider in its  
21 evaluation of the condition of the industry.

22 COMMISSIONER PEARSON: Thank you. My time  
23 has expired. We may come back to that. Thanks.

24 CHAIRMAN KOPLAN: Thank you, Commissioner.

25 I'm struggling with the information now that

1 we have in Chapter 5, and I'm following up on the line  
2 of questioning that Vice Chairman Okun started and  
3 Commissioner Hillman got into, and that has to do with  
4 these products that we've got where we're looking at  
5 underselling and overselling during the period of  
6 investigation.

7 Now, the results of our analysis are  
8 business proprietary, but I can get into it this way.  
9 The margins of underselling that we were able to  
10 determine range from a minimal level of less than 0.5  
11 percent to 80.7 percent and where the import price was  
12 higher than the domestic product from 0.1 percent to  
13 75.5 percent.

14 As you testified and as our results reflect,  
15 and this is public, subject imports from China  
16 undersold the domestic like product in 109 out of 122  
17 possible comparisons. In many instances, the margins  
18 of underselling were very substantial. I've indicated  
19 to you the range that it goes up to.

20 I was wondering whether that meant that  
21 subject product is being sold in a different segment  
22 of the market than domestic product in those instances  
23 that are way up at the top of that range, whether  
24 there's a separate, low-cost consumer market not being  
25 served by domestic producers.

1           What I heard today from Mr. Rife and others  
2           is that there can be different features as to these  
3           products and so we're not necessarily comparing apples  
4           to apples.

5           What's troubling me is we have four separate  
6           product categories that we were covering. The Vice  
7           Chairman read the first one into the record. We have  
8           11 tables covering those four products. In listening  
9           to your answers, I'm now wondering whether this  
10          undermines the information that we have, whether our  
11          results are undermined in terms of the great magnitude  
12          at the upper end of the scale on this. Is it because  
13          we're not looking at the same product? It hasn't been  
14          broken down far enough for us to get the right  
15          information?

16          The first three products came directly from  
17          the domestic industry. You all suggested Products 1,  
18          2 and 3 to us directly. We added Product 4. I'm  
19          trying to understand how I interpret the underselling  
20          or overselling. If I see a margin as high as 75  
21          percent, are we comparing the same product?

22          MR. JAFFE: Matthew Jaffe. I believe I have  
23          the public version here, so I can't --

24          CHAIRMAN KOPLAN: So do I.

25          MR. JAFFE: -- actually confirm, but if I

1 remember correctly when you looked at those 122 areas  
2 of comparison Product 1 was broken down, Product 1 for  
3 home improvement, and you compared U.S. to China,  
4 Product 1 for catalog industrial U.S. to China,  
5 Product 1 for hardware co-ops U.S. to China, so there  
6 was no what I would call cross channel comparisons, if  
7 I remember it correctly.

8 CHAIRMAN KOPLAN: That's the way it's  
9 intended.

10 MR. JAFFE: Okay. So if you look at the  
11 underselling, you're looking at basically what they  
12 were talking about, the different models and  
13 everything like that was okay, in the home improvement  
14 we have basically the same models, and there's an  
15 example of a Chinese versus a U.S. and a home  
16 improvement channel.

17 CHAIRMAN KOPLAN: If I can just stop you for  
18 a second?

19 MR. JAFFE: I'm sorry.

20 CHAIRMAN KOPLAN: We had more than one table  
21 covering the home improvement market. That's why, as  
22 I said, we're looking at 11 tables covering four  
23 defined products.

24 Go ahead and proceed. I'm sorry.

25 MR. JAFFE: That's okay. In the home

1 improvement you basically have the same type of model,  
2 the same type of D handle competing from China  
3 competing against the same type of D handle in the  
4 United States. They did mention that they would try  
5 to change some of the features, but it was basically  
6 the same.

7 In the catalog, I think if I recall Jay's  
8 testimony correctly, that's where you had additional  
9 things that you tried to do. The size of the tube  
10 might be different. There were other features. In  
11 the catalog once again it was a different type, and  
12 that was driven to a certain extent by the customer so  
13 it would command a higher price, but it was the same  
14 style of D handle in the catalog that was competing  
15 against the same style from China.

16 What you have here is you do have very good  
17 comparisons of the same type of model within each  
18 channel, so when you look at the 122 comparisons and  
19 just take the home improvement of the D channel,  
20 you've got an underselling, a clear underselling 90  
21 percent of the time. This is taking the average from  
22 everything.

23 It's the same thing. You go to the catalog.  
24 It's the same thing, the one-on-one type of  
25 comparison.

1                   CHAIRMAN KOPLAN: If the margin is 80  
2 percent in a quarterly comparison on one of these  
3 tables, am I looking at the same product for both  
4 China and the U.S. product at an 80 percent margin?

5                   MR. JAFFE: I think if you take everything  
6 together. I do not know once again which 80 percent  
7 you're looking at. It may be for a specific let's say  
8 first quarter 2001 in the industrial catalog market,  
9 and perhaps that's where you're seeing an 80 percent,  
10 but maybe in the second quarter it might be less. I  
11 don't know, and again I don't have the proprietary  
12 here to check.

13                   CHAIRMAN KOPLAN: I know that.

14                   MR. JAFFE: In the home improvement market  
15 where the price is low, very low to begin with, a five  
16 percent difference or a three percent difference is a  
17 significant difference because, one, it's a very low  
18 price to begin with, and it's a very high volume.

19                   For Home Depot, if they see a five, 10, 15  
20 cent difference or a dollar difference, which at these  
21 low numbers might be a five percent difference,  
22 they're going to go with the dollar cheaper import  
23 because when you multiply that dollar across the  
24 volume it's a significant savings.

25                   Now, you go to the industrial catalog area

1 where it's not as significant volume, so there the  
2 price differential is probably going to have to be a  
3 little more significant. It may be five percent.  
4 Perhaps it's 10 percent because there they're getting  
5 more for their money. They're getting that value.

6 CHAIRMAN KOPLAN: What about when the import  
7 price is 75 percent higher than the domestic price?

8 MR. JAFFE: An anomaly in the statistics,  
9 but I don't know the answer directly to that.

10 CHAIRMAN KOPLAN: Well, the problem is that  
11 the --

12 MR. JAFFE: This is driven by price, so I  
13 would assume that they may keep the sale in that  
14 particular instance.

15 CHAIRMAN KOPLAN: Could you and Mr.  
16 Malashevich go back for purposes of the posthearing  
17 and look at the information in those tables and let me  
18 know in your posthearing submission whether or not  
19 these tables need to be modified based on what I heard  
20 testimony from the domestic witnesses this morning?

21 MR. JAFFE: Certainly.

22 CHAIRMAN KOPLAN: You understand why I'm  
23 struggling with this a bit?

24 I've heard that sometimes you can't just  
25 look at one of these products. The wheels could be

1 different I think was something you mentioned, Mr.  
2 Rife, or something else could be different. I want to  
3 make sure that when I'm looking at a disparity that's  
4 that great I'm still comparing apples to apples.

5 MR. JAFFE: Right.

6 CHAIRMAN KOPLAN: That's what I'm struggling  
7 with.

8 MR. SIMON: Again, this is Howard Simon from  
9 Gleason. I do not have the benefit of looking at that  
10 proprietary information.

11 CHAIRMAN KOPLAN: I appreciate that.

12 MR. SIMON: But in looking at just those two  
13 models, I bet that your disparity is going to be in  
14 the 75 to 80 percent range of underselling. In those  
15 two models, just like most of the models, you will  
16 never find fewer features or inferior features on the  
17 Chinese product as compared to the comparable product  
18 that's made by the domestic manufacturer.

19 It's quite the opposite. Even on those two  
20 products, the Chinese product has wheel guards. We  
21 don't have wheel guards. The Chinese product has a  
22 tubular handle that goes from the top all the way  
23 down. We don't have that feature. The Chinese  
24 product has an extra cross bar, and we only have two  
25 cross bars.

1           Those are three significant improvements  
2 over our product which would clearly not explain the  
3 huge disparity and underselling. If anything, I would  
4 expect to see that price being sold for more.

5           CHAIRMAN KOPLAN: Does it explain the huge  
6 disparity in overselling by the Chinese product?

7           MR. SIMON: Quite frankly, I don't think  
8 we've ever encountered a situation where there has  
9 been overselling by the Chinese.

10           CHAIRMAN KOPLAN: I mean, I'm not disputing  
11 what the results are, 109 out of 122, but I'm saying  
12 in those other 13 instances let's say that you have an  
13 instance that is like that because apparently we do.  
14 Does that explain the difference in an overselling  
15 illustration?

16           MR. SIMON: I doubt it. I think that the  
17 difference in overselling might be attributed to the  
18 quantities involved and the costs involved in actually  
19 producing small quantities for a particular purchaser,  
20 and that might be driving the price up more so than  
21 the features.

22           CHAIRMAN KOPLAN: Thank you, Mr. Simon.

23           Vice Chairman?

24           VICE CHAIRMAN OKUN: Thank you.

25           I want to turn to some volume and demand

1 questions because just for purposes of going back to  
2 the earlier question with regard to pricing and this  
3 different channel.

4           What I'd be interested in posthearing is I  
5 understand that within those what you're saying is we  
6 do have apples to apples within hardware or within  
7 home improvement, but the root of my question is if  
8 you're saying that the prices of a Home Depot and a  
9 Lowe's influence the other channels, which is as I  
10 understood Mr. Simon's testimony today, but it's  
11 because of what's going on with these customers that  
12 you're going to lose customers throughout the  
13 channels.

14           That's where I'm not sure I see the prices  
15 in one channel influencing the other. That's where  
16 I'm trying to understand what it is. I think I could  
17 understand it more in terms of maybe home improvement  
18 to hardware than I do with the catalog.

19           The Lindquist catalog is just they know that  
20 Home Depot is getting it for so low, so even if it's a  
21 completely different product in the catalog they're  
22 going to lower their prices, or is it just the Chinese  
23 have the exact same extra features in a catalog, and  
24 they're going to come in with a lower price? That's  
25 what I'm just trying to figure out or need some

1 additional information.

2 MR. KVASNICKA: Jay Kvasnicka with Gleason.  
3 I think one of the important things to keep in mind  
4 here is it's a hand truck. You know, you can put all  
5 these different features on them, but they essentially  
6 do the same thing.

7 When a consumer at a Grainger or say goes to  
8 a catalog house like a Grainger or whatever and sees a  
9 hand truck maybe with wheel guards and a couple  
10 different features for \$78 and he's walking through  
11 Home Depot to pick up his garden hose and he sees the  
12 same thing for \$29, you know, maybe it's not  
13 identical. It's a little bit different. It doesn't  
14 have the wheel guard maybe, but the guy still sits  
15 there and thinks man, I paid a lot more money to get a  
16 couple of extra features when this truck is going to  
17 do the same thing.

18 Immediately then you have these customers  
19 coming back to you saying hey, you know, Home Depot is  
20 at \$29. We've got to be more competitive. We've got  
21 to get product in here that can compete with them. I  
22 think that's primarily where you see these prices, the  
23 effects that they have on us as far as the other  
24 channels of distribution.

25 VICE CHAIRMAN OKUN: Yes. Okay. Anything

1 else you can put on that? It's mostly just such  
2 disparity in the prices.

3 I mean, to me it seems like if that were the  
4 case then everyone would be selling. All those  
5 channels would sell at more similar prices than they  
6 do, but I also understand your earlier testimony that  
7 the prices built in are different and so perhaps  
8 there's information you can put on that and I'll  
9 better understand what you're talking about and the  
10 different prices.

11 Let me move on to some of the volume issues  
12 and the demand issues. I know, Mr. Jaffe, you  
13 actually asked your panel of witnesses several  
14 questions about in what looks like a growing market  
15 why they didn't capture more of it I think is how you  
16 put your questions.

17 I want to go back and repeat the same  
18 question, but I do want to make sure that I understand  
19 in terms of when you're talking about what influences  
20 demand in these different sectors. Is there a  
21 distinction in the home improvement market versus the  
22 catalog sector in terms of if I think of home  
23 improvement I think housing has remained pretty strong  
24 during even a recession, but maybe it affects  
25 business.

1                   Help me just understand within the different  
2 channels where you sell what you think drove demand  
3 during this period of investigation. I'm looking at  
4 the industry witnesses. I know some of this is on the  
5 record, but I just want to make sure I understand it  
6 in terms of the arguments here about whether the  
7 Chinese have created demand in the market or not or  
8 whether it's market conditions.

9                   MR. KVASNICKA: I think that the people  
10 sitting at the table here are the ones that have  
11 created the demand in the market. Basically we are  
12 the ones that have built the home improvement  
13 industry, at the same time building our own companies.  
14 Really the Chinese have just come in with  
15 significantly lower prices and have driven our  
16 business out and replaced us.

17                  VICE CHAIRMAN OKUN: Okay. In terms of how  
18 you see it, and I obviously want the other companies  
19 to comment on this as well. Do you feel like  
20 everybody was saying we want more product; we're able  
21 to move it?

22                  Again, I'm trying to figure out the  
23 difference between the home improvement segment and  
24 what's gone on during this period of investigation and  
25 the other segments in terms of demand, real demand.

1           MR. KVASNICKA: I think the home improvement  
2 segment has just grown so much more than the other  
3 segments. The Home Depots and the Lowe's have grown  
4 enormously in the last couple years and continue to  
5 add a couple hundred stores a year. That's what  
6 really has driven their value.

7           VICE CHAIRMAN OKUN: Okay. From the catalog  
8 side of it, are the same factors influencing them?  
9 You don't think of them growing like the big boxes,  
10 but do they follow more business trends, general  
11 economic trends, than they would home building?

12           Maybe I'm not even right on that. I'm just  
13 trying to make sure I understand. I mean, Lowe's and  
14 Home Depot you think of as having grown because home  
15 improvement has grown. Housing starts have been good.  
16 What about if you're selling it into the catalog  
17 sector? Is it the same?

18           MR. KVASNICKA: I'm not sure I really can  
19 give you a definitive answer on that.

20           Do either of you have a feel for that?

21           MR. STRAW: I have an opinion, and it's  
22 anecdotal. The industrial catalogs market to  
23 industrial consumers, factories, offices, that kind of  
24 thing. I think at least from what I've observed,  
25 there's been quite a few reductions, if you will, in

1 manufacturing. I think their business has been stable  
2 or flat and in some cases declining.

3           There's no question -- we're reminded of it  
4 every time we meet with catalog customers -- that they  
5 view the big box retailers as being a significant  
6 threat, a competitive threat. You know, it's a  
7 different economics. The transactions are different.  
8 One you order out of a catalog. You place an order.  
9 You do it on the web. There's different ways. Then  
10 it gets shipped to you. The big box you walk in, and  
11 you buy it. You pay with a credit card, and you go.

12           They both approach an overlapping group of  
13 customers from a slightly different point of view.  
14 Again, my opinion, based on what I've observed, is  
15 that the big box retailers have presented a threat to  
16 the catalogs and have taken business away.

17           To come back to answer your question, I've  
18 seen that volume flat overall with the industrial  
19 catalogs.

20           VICE CHAIRMAN OKUN: Okay. Any other  
21 comments on that just within the channels? Mr.  
22 Malashevich, the economist?

23           MR. MALASHEVICH: I've just been told also,  
24 and I think you and I have heard this in other cases,  
25 that we shouldn't have the view that the home

1 improvement stores are only serving residential  
2 customers. They are increasingly serving smaller  
3 businesses from within their region.

4 As Mr. Malone just informed me, the home  
5 improvement stores have their own reps that are  
6 designated to go out and seek industrial business to  
7 be served directly through what we are euphemistically  
8 calling home improvement, but it really has much more  
9 general applications in industry and small business.

10 VICE CHAIRMAN OKUN: Yes, Mr. Simon?

11 MR. SIMON: Yes. I would just like to add  
12 Mr. Pearson mentioned that he had a hand truck. I'm  
13 not sure why he owns a hand truck, but the more that  
14 these home improvement stores grow and the more that  
15 they attract shoppers who are going into those stores  
16 for other reasons, the chances are greater that  
17 they're going to start selling more of not just the  
18 product that the shopper went in there to buy, but all  
19 the other products they carry.

20 Costco, which is similar to Sam's Club,  
21 carries hand trucks. When I shop at Costco, I'm there  
22 primarily to buy paper goods and some groceries, but  
23 there's many people that are shopping there for that  
24 same reason. They see the hand truck on the shelf.  
25 It's a convenient place to buy the hand truck. They

1 might not necessarily need it.

2 VICE CHAIRMAN OKUN: You buy something you  
3 don't need. I do it all the time.

4 MR. SIMON: Right. That could explain why,  
5 you know, a lot of demand has increased just because  
6 of the distribution channels expanding the way they  
7 have.

8 VICE CHAIRMAN OKUN: Okay.

9 MR. KVASNICKA: Excuse me.

10 VICE CHAIRMAN OKUN: Yes?

11 MR. KVASNICKA: I would just like to add  
12 that everybody needs a hand truck.

13 MR. JAFFE: I would also like to add in our  
14 research we did run across perhaps one of the things  
15 that was driving it was mortgage rates.

16 Actually, with the lower mortgage rates  
17 people were actually turning the housing stock more  
18 frequently. When you turn the housing stock more  
19 frequently, you move more frequently. Therefore,  
20 there's a greater demand for things to assist you in  
21 moving.

22 VICE CHAIRMAN OKUN: I think that's why Mr.  
23 Pearson has needed a hand truck, but I'll let him  
24 answer that.

25 I see my light is going to come on. I'll

1 probably have a chance or someone else will cover it,  
2 but obviously you've addressed should the industry  
3 have taken more of this growth in demand and what your  
4 view was of that, and I guess I'm also trying to get  
5 at the point of in a threat context what customers --  
6 if you lose a Lowe's, does not necessarily translate  
7 into losing the other customers as you've described  
8 it.

9 My red light is on, but I'll have an  
10 opportunity to ask more on that or listen to my  
11 colleagues.

12 Thank you very much.

13 CHAIRMAN KOPLAN: Thank you, Vice Chairman.

14 Mr. Simon, I have no objection if you want  
15 to question Mr. Pearson in his next round about his  
16 hand truck, but I'll turn to Commissioner Hillman.

17 COMMISSIONER HILLMAN: Thank you, Mr.  
18 Chairman, and thank you to Commissioner Miller.

19 I just wanted to explore. Mr. Simon, in  
20 your direct testimony you gave us a very detailed  
21 explanation of the nature of your relationship with  
22 both Home Depot and Lowe's and referred a little bit  
23 to Grainger, but I wondered if you could, because I'm  
24 trying to make sure I understand whatever distinctions  
25 there are between the home improvement and the catalog

1 industrial.

2 What happened to your relationship with  
3 Grainger as a result of this investigation and the  
4 Commerce Department's determination in May of 2004?  
5 Has Grainger restated purchases from Gleason?

6 MR. SIMON: If you don't mind, I'd like to  
7 have Mr. Kvasnicka answer that question. He's the one  
8 that has made repeated attempts to contact Grainger.

9 MR. KVASNICKA: First of all, I'd like to  
10 say, you know, the period of investigation is very  
11 small in comparison to what's happened with Grainger  
12 overall.

13 Grainger was our largest customer in the mid  
14 1990s, and prior to the period of investigation we  
15 began to lose product to China. They advised us that  
16 basically eventually they would take their entire  
17 material handling catalog to China, so we have lost  
18 considerably more than what we've indicated here.

19 We have tried to contact them to see if  
20 there is an opportunity to requote, and at this point  
21 they have not granted us any opportunities to do so.

22 COMMISSIONER HILLMAN: Help me understand  
23 the timeframe here. You lost Grainger you're saying  
24 slowly over time?

25 MR. KVASNICKA: Right.

1 COMMISSIONER HILLMAN: When was the last --

2 MR. KVASNICKA: They took segments of our  
3 business probably starting in 1997. Probably about  
4 1997-1998. They slowly started taking segments of the  
5 business, first the two-wheel hand trucks, then our  
6 appliance trucks and so forth.

7 Eventually the last segment that went was  
8 the aluminum trucks, and that's what was included in  
9 the scope of the business.

10 COMMISSIONER HILLMAN: Okay. All right. I  
11 appreciate that answer.

12 One of you touched on in response to I  
13 believe a question that the Chairman had asked  
14 earlier, but I just want to make sure I understand it  
15 because if I look at the import data we obviously have  
16 seen an increase in the quantity of finished hand  
17 trucks from China, but we've seen an even larger  
18 percentage growth in the increase of parts, hand truck  
19 parts or in some instances kits.

20 I'm just trying to understand how that works  
21 and why it works. If labor rates are what they are in  
22 the United States versus China, why are parts being  
23 brought in to be assembled here? What's the advantage  
24 of doing it that way, and who's doing that assembling?

25 We see a big increase in parts. I'm just

1 trying to understand again who's bringing them in,  
2 who's assembling them and why choose to assemble here.

3 MR. STRAW: In aluminum, the product is  
4 configurable, and I'm sure that the primary driver is  
5 freight. You can containerize. You can get the  
6 parts, more volume, in a shipping container than you  
7 can a fully assembled product.

8 COMMISSIONER HILLMAN: Okay. And then who's  
9 doing the assembly?

10 MR. STRAW: Probably whatever channel that  
11 they're selling it through.

12 COMMISSIONER HILLMAN: Okay. So the  
13 importer themselves are doing the assembly?

14 MR. STRAW: That or matching up. There are  
15 several entities that are engaged in that type of  
16 activity, warehousing type of value added that do crop  
17 stocking.

18 COMMISSIONER HILLMAN: Do you have a sense  
19 of how much value gets added; I mean, how much it  
20 costs to do that kind of assembly?

21 MR. STRAW: I'd have to think about that and  
22 respond later.

23 COMMISSIONER HILLMAN: Okay. Mr. Simon, go  
24 ahead.

25 MR. SIMON: Yes. I just wanted to elaborate

1 on that because David was responding with respect to  
2 aluminum parts, and you've seen a run-up of steel  
3 parts as well.

4 I know that there's one manufacturer in  
5 California who is notorious for bringing in components  
6 and then, of course, because of the complexities of  
7 welding those parts to the rest of the hand truck that  
8 has to be done by the manufacturer and not by the  
9 consumer.

10 COMMISSIONER HILLMAN: Okay. So they are  
11 bringing them in and doing the welding here? That's  
12 what I'm trying to understand. These are not parts  
13 that are ready to be assembled. They would have to do  
14 welding?

15 MR. SIMON: That's correct, as it relates to  
16 steel. As it relates to aluminum, you know, the  
17 aluminum hand trucks I think are much easier to  
18 assemble, and that can be assembled at all different  
19 levels in the distribution channel or bolted.

20 COMMISSIONER HILLMAN: Okay.

21 MR. SIMON: They can be bolted on.

22 COMMISSIONER HILLMAN: All right. I  
23 appreciate that.

24 Mr. Jaffe, a question for you in terms of  
25 one of the issues raised in your brief. You're

1 arguing, as I understand part of your brief, that we  
2 should find significant price depression based on  
3 price decline that occurred prior to our period of  
4 investigation. Especially your chart seemed to refer  
5 to 1996 and 1997, the Exhibit 9 of your brief with the  
6 graph showing the decline.

7 Is it your position that subject imports  
8 caused significant price depression during the POI, or  
9 are you saying that the price depression occurred  
10 prior to the POI?

11 MR. JAFFE: That particular argument, if you  
12 recall, is the last argument in that section. The  
13 arguments prior to that are just limited to the period  
14 of investigation, and it is our position that during  
15 the period of investigation there was significant  
16 price suppression, and I believe to a certain extent  
17 that there is also price depression, especially the  
18 potential of price depression, as demonstrated by the  
19 examples given with Home Depot and Lowe's as well  
20 during the period of investigation.

21 COMMISSIONER HILLMAN: Okay. So you're not  
22 arguing that we should be looking at a period prior to  
23 that to find price depression?

24 MR. JAFFE: That's correct.

25 COMMISSIONER HILLMAN: Okay.

1                   MR. JAFFE: What we're saying there was just  
2 to give a further example, and I think Jay has  
3 mentioned it a number of times, that this actually did  
4 start a while ago, and it's basically gotten to the  
5 point where there's very little room because of the  
6 raw material cost and everything else, especially in  
7 the home improvement market, to go any further. The  
8 industry filed the petition because it was basically  
9 crying uncle.

10                   COMMISSIONER HILLMAN: Okay. I appreciate  
11 that.

12                   Mr. Simon, one of the issues that has been  
13 raised in part by the Respondents is the issue of  
14 capacity utilization and the capacity numbers. Mr.  
15 Malashevich in response to one of the questions gave  
16 us some sense of the difficulties of calculating  
17 capacity in this industry, but one of the issues very  
18 specifically has come up with this issue of productive  
19 capacity based on three shifts a day.

20                   I'm just trying to make sure I understand  
21 whether and to what degree you have operated your  
22 plant during this period of investigation you have in  
23 fact operated three shifts a day. I'm just trying to  
24 understand whether that's a realistic assumption for  
25 us to use as a basis for calculating capacity.

1                   MR. SIMON: Okay. Let me begin by just  
2                   telling you that last week when the ITC accountant was  
3                   out in Los Angeles, we spent a tremendous amount of  
4                   time demonstrating to him how we arrived at our  
5                   capacity numbers.

6                   Notwithstanding arguments that I felt were  
7                   incredibly compelling supported not only by reason,  
8                   but actually by facts, at his request we have agreed  
9                   to restate our capacity numbers by paring down the  
10                  number of shifts to two shifts.

11                  That information was presented to the  
12                  accountant with a courtesy copy, but we intended to  
13                  file it with the Commission as part of our posthearing  
14                  brief.

15                  COMMISSIONER HILLMAN: Okay. I'm still  
16                  trying to understand as a factual matter.

17                  MR. SIMON: Right. I understand.

18                  COMMISSIONER HILLMAN: Do you as a factual  
19                  matter operate frequently three shifts a day?

20                  MR. SIMON: At our Goshen facility we are  
21                  operating three shifts a day.

22                  COMMISSIONER HILLMAN: Today? Now?

23                  MR. SIMON: I hope today.

24                  COMMISSIONER HILLMAN: Okay. All right.

25                  MR. SIMON: Since our VP of operations is

1 behind me, I'm hoping that while he's out of the plant  
2 they are still operating.

3 At our Lincoln facility, we're operating at  
4 about one and a quarter shifts per day.

5 COMMISSIONER HILLMAN: Okay. All right.  
6 Has that been typical, the three shifts a day that  
7 you're operating in Goshen? Is that pretty much --

8 MR. MALONE: This is Bill Malone with  
9 Gleason. One of the reasons we operate three shifts a  
10 day is because when you take a certain machine and  
11 work it two shifts a day you get twice the capacity.  
12 When you work it three shifts a day, you get three  
13 times the capacity.

14 It minimizes the capital investment to get  
15 that much extra use out of a particular machine or  
16 fixture or whatever, so to minimize and hold our costs  
17 down that's why we've focused on using certain -- it's  
18 not a very large third shift, but any time you have a  
19 shift you can always expand it. Some people would  
20 call it a skeleton shift. We focus on key machines to  
21 run the third shift.

22 COMMISSIONER HILLMAN: All right. I  
23 appreciate those answers. Thank you very much.

24 CHAIRMAN KOPLAN: Thank you.

25 Commissioner Miller?

1                   COMMISSIONER MILLER: Thank you, Mr.  
2 Chairman.

3                   Mr. Kvasnicka, I want to assure you I'm sure  
4 a hand truck is in my future, given the amount of time  
5 my husband spends at Home Depot. The only thing that  
6 prevents it or has prevented it up until now, in my  
7 view, is all the other things that are in our garage  
8 because of all the time he spends at Home Depot.

9                   Your theory about you go there for one thing  
10 and you get another, it hasn't happened so far, but it  
11 won't surprise me when it happens one of these days.

12                   I'd like to ask you, either Mr. Kvasnicka or  
13 Mr. Simon, to elaborate a little bit more. You were  
14 so detailed in what you said about Home Depot and the  
15 sort of timeline on Home Depot. You haven't been  
16 quite as elaborate with respect to Lowe's.

17                   If I could ask you to just elaborate on how  
18 those conversations evolved over time? I note there's  
19 been a fair amount in your brief and you've just been  
20 very public here about Home Depot. I just want to see  
21 on the public record if we could talk a little bit  
22 more about what happened with Lowe's as well.

23                   MR. KVASNICKA: Yes.

24                   COMMISSIONER MILLER: And if you're really  
25 more comfortable with respect to Lowe's doing it --

1           MR. SIMON: No. Actually, the only reason I  
2 didn't talk about Lowe's is because I was told by  
3 others on our team that maybe my testimony was going  
4 on too long, so thank you for giving me the  
5 opportunity.

6           COMMISSIONER MILLER: Well, that's why we do  
7 questioning.

8           MR. SIMON: In September of 2003, Lowe's  
9 informed us of their decision to switch suppliers of  
10 all of their hand trucks. They planned to make that  
11 switch complete in February of 2004.

12           COMMISSIONER MILLER: As you understood it,  
13 was that a definitive decision already?

14           MR. KVASNICKA: Yes, it was a definitive  
15 decision. The delay was simply that they needed time  
16 to get the merchandise built and the containers on the  
17 water and shipped in. They wanted to give us a little  
18 time to reduce the inventory that we had.

19           I had several discussions with them, with  
20 the buyer. It was a very definitive decision. He  
21 said really it was a decision that he was given no  
22 choice but to make.

23           MR. SIMON: But then in January 2004 they  
24 contacted us and told us that they had decided to  
25 postpone their decision to switch in light of the

1 developments that had been occurring in our case, so  
2 we were impressed with how closely they were watching  
3 this case and relieved that they had decided to  
4 postpone their decision in light of the progress that  
5 we have been making.

6 But, it has been made very clear to us that  
7 if this Commission does not make an affirmative  
8 finding in our favor that that switch will take place  
9 once again, and that's why when you look at page 5 of  
10 my Exhibit 12 you'll see exactly what our forecasted  
11 sales to Lowe's look like for the D handle, as well as  
12 the convertible and the opening price point.

13 We didn't even include specific forecasts  
14 for the other models that we sell them, but those too  
15 would be included in the switch to China.

16 COMMISSIONER MILLER: Okay. So I can make  
17 sure on one comparison, given what you've shown and  
18 what you've said here, in other words, with respect to  
19 Home Depot they had already stopped purchasing from  
20 you? I mean, you had already seen the decline in  
21 sales.

22 With Lowe's it hadn't actually happened  
23 because it was expected to happen in February, but  
24 before February was reached they changed their mind?

25 MR. SIMON: That's correct. I think that

1 Home Depot had already put the wheels in motion, and  
2 it was too late for them to turn back in light of the  
3 developments that were occurring throughout this  
4 process.

5 Since Lowe's had not officially turned us  
6 off and started bringing in product from overseas,  
7 they were in a more advantageous position, from our  
8 perspective, to stop the process and just continue  
9 purchasing from us.

10 COMMISSIONER MILLER: I know in your brief,  
11 I believe it's Exhibit 20, you included some  
12 documentation regarding your conversations with Lowe's  
13 sort of at the later point.

14 With respect to some of the earlier  
15 conversations, those might be useful. I don't usually  
16 like to ask for a lot of additional documents and  
17 stuff, but since you did include some at a later point  
18 it might be also useful to have some at an earlier  
19 point.

20 Mr. Jaffe, if you understand what I'm  
21 asking? Yes? You can work it out posthearing in a  
22 posthearing submission. Thank you.

23 MR. RIFE: Ms. Miller?

24 COMMISSIONER MILLER: Yes, Mr. Rife?

25 MR. RIFE: If I can interject? Having not

1       been the supplier of choice at Lowe's, but having  
2       participated in those line review of July of 2003, it  
3       was stated at that review that one of our biggest  
4       competitors would be the import product.

5               In September of 2003, Lowe's did notify  
6       Harper that we were not successful in gaining the  
7       business, and in September 2003 they did indicate that  
8       they were going with the Chinese imports.

9               My conversations with the buyer said we had  
10      a great product, great presentation, but with the  
11      differential in price and margin that he could gain by  
12      going to imports that his decision was to go with the  
13      import product line.

14              Again, probably after the filing of Gleason  
15      probably late January we did receive a call from  
16      Lowe's asking if we would be interested in as this  
17      progressed reviewing the line with them for an  
18      opportunity; with an affirmative confirmation of the  
19      tariffs that Lowe's would be looking to review the  
20      line for another supplier, a domestic supplier, or a  
21      negative vote here they would continue with their  
22      plans to import.

23              His comment to me was if there's negative  
24      review we'll be importing hand trucks so fast your  
25      head will spin. That is a quote.

1                   COMMISSIONER MILLER: All right. Let me ask  
2 you about -- that's all very helpful; I appreciate it  
3 -- I don't know if it's another channel. It's part of  
4 this, but another area that we haven't touched on too  
5 much. As I understand it, we will hear from the  
6 Respondents' side a little bit about the office supply  
7 stores, the Staples and Office Depot, Office Max kind  
8 of stores.

9                   Can you tell me a little bit about whether  
10 you participate, how you see that channel, whether  
11 it's influenced, how it's influenced by other  
12 channels? Do you participate there? Not? If you  
13 could talk a little bit about that?

14                   MR. KVASNICKA: Well, we see that as really  
15 just another channel of distribution, certainly one  
16 that we've got a close eye and one we would like to  
17 penetrate, but at this point we haven't been able to  
18 get very far just because of pricing issues.

19                   COMMISSIONER MILLER: Okay. Well, how does  
20 that business compare to the big box Home Depot kind?  
21 I mean, are they going to be higher priced? Lower  
22 priced? Kind of similar and you've just concentrated  
23 on the big box guys?

24                   MR. KVASNICKA: Well, if they carry like  
25 product they're going to want to be comparably priced.

1 COMMISSIONER MILLER: Okay.

2 MR. KVASNICKA: I don't know that in all  
3 cases they compare, they actually carry a like  
4 product. Perhaps David is --

5 COMMISSIONER MILLER: Okay. Mr. Rife, is  
6 that a channel of distribution you could talk about a  
7 little bit more?

8 MR. RIFE: Lower volume than the big box  
9 stores, fewer SKUs, lower price, lower quality of  
10 product versus where we compete.

11 The price points, when you do the reverse  
12 math from the retail and you look at your cost,  
13 there's not a lot of room in there for a domestic  
14 manufacturer. Again, price is very similar as the  
15 Chinese import, and the prices to them are pretty  
16 similar to what we see at some of the big box stores.

17 COMMISSIONER MILLER: Okay. All right.  
18 Commissioner Hillman asked you some questions about  
19 the role of parts in the market, and I was interested  
20 in that.

21 That was my only other question, so I think  
22 at this point I don't have any further questions. I  
23 appreciate all of your answers. Thank you.

24 CHAIRMAN KOPLAN: Thank you.

25 Commissioner Lane?

1                   COMMISSIONER LANE: I have a question for  
2 Mr. Simon or Mr. Kvasnicka.

3                   As I understand Grainger, in addition to  
4 hand trucks you also do other non-powered products  
5 such as fertilizer things and something else. I don't  
6 know. Non-powered tools. Do you also sell those  
7 products to Home Depot and Lowe's and Grainger?

8                   MR. KVASNICKA: Yes, we do. To Grainger we  
9 sell some different types of carts that are not  
10 included in the scope of this investigation. To Home  
11 Depot we sell spreaders and some trailer carts and  
12 Lowe's we are working on some other opportunities  
13 right now as well.

14                  COMMISSIONER LANE: So when Home Depot came  
15 to you and said that they were going to be switching  
16 buying the hand trucks to China, did that also have  
17 any spillover effect on your relationship and your  
18 ability to sell your other products to Home Depot?

19                  MR. KVASNICKA: Yes, it did because again,  
20 as we've spoken earlier, these items all become very  
21 freight sensitive. One of the advantages that we have  
22 as a manufacturer is that we can supply them multiple  
23 products, so we just are in the process of hopefully  
24 gaining, but I suspect it's going to be very much of a  
25 challenge.

1           We had gave them a program on fertilizer  
2           spreaders, and after some things happened with the  
3           freight they just have never turned it on because  
4           without the hand trucks to drive the freight they felt  
5           that it would be too expensive to ship the fertilizer  
6           spreaders, so it has a residual effect all the way  
7           with our other products as well.

8           MR. SIMON: Yes. Specifically when Home  
9           Depot resumed purchasing hand trucks from us, they  
10          decided to purchase from two of their regions through  
11          Harper and so what Jay is referring to is that when we  
12          were trying to sell them fertilizer spreaders to those  
13          regions, the fertilizer spreader buyer told us that  
14          because we were not in a position to supply them with  
15          hand trucks it's having an adverse impact upon his  
16          freight costs for those products.

17          All we can draw from that is that if they  
18          switch their entire hand truck business to overseas  
19          and we didn't have the opportunity to ship them hand  
20          trucks in the remaining regions, then that would  
21          certainly impact our ability to ship other products to  
22          them because that, too, would affect the cost of those  
23          other products.

24          COMMISSIONER LANE: Okay. Thank you.

25          What is the expected life of the low end

1 hand truck?

2 MR. KVASNICKA: I think that depends  
3 strictly upon how much it is being used. I mean, if  
4 you're using it once a week to roll your garbage can  
5 down to the corner the thing will probably last  
6 forever.

7 On the other hand, if it's somebody that's  
8 dropping them off the back of a truck every day and  
9 using them, the lifetime is going to be much shorter.  
10 Primarily it's based upon the wheel. The wheels are  
11 generally the first thing that will wear out on a hand  
12 truck.

13 COMMISSIONER LANE: Okay. Thank you.

14 MR. SIMON: Most people probably lose their  
15 hand truck before they run it into the ground.

16 COMMISSIONER LANE: Thank you.

17 You testified that despite your contract  
18 with big box retailers, Gleason continues to sell to  
19 smaller volume purchasers, and you attempted to make  
20 sales through other channels.

21 To what extent have domestic hand truck  
22 manufacturers attempted to reach customers through  
23 non-traditional channels of distribution such as  
24 direct sales via the internet or television  
25 infomercials?

1           MR. KVASNICKA: We do not do direct sales  
2 over the internet because in that case we would be  
3 competing with our customers directly, allowing  
4 consumers to buy from us.

5           Now, we do have several customers that have  
6 internet sites that sell over the internet, and again  
7 we see the sales there on things that are ones and  
8 twos, very unique, very low volume items that people  
9 might shop on the internet.

10           I don't know. Does that answer the  
11 question?

12           COMMISSIONER LANE: Yes.

13           MR. SIMON: Again, you know, the freight  
14 issue is a big consideration in how much somebody is  
15 willing to pay for a hand truck, so if we were to sell  
16 it individually -- in fact, I often get calls from  
17 friends that say can you get me one of your hand  
18 trucks.

19           I tell them that it's less expensive for me  
20 to just send them the check for what they can buy it  
21 for at one of our distributors or home improvement  
22 centers than to actually ship it from our factory.

23           COMMISSIONER LANE: Okay. Thank you.

24           As I understand the record and the  
25 testimony, a lot of the increase in demand is because

1 of Home Depot and people doing home improvements, et  
2 cetera, and the ease with which people can get to Home  
3 Depot, Lowe's, go in there and buying things and  
4 perhaps buying a hand truck because it's there and it  
5 looks like a good buy.

6 Have you done any surveys as to what is  
7 driving the demand for hand trucks?

8 MR. KVASNICKA: Well, I think the two sales  
9 people here would like to say it's because of them,  
10 but other than that, no, we really haven't done any  
11 specific surveys. I don't know if Harper has.

12 MR. RIFE: No. One of the big things  
13 driving demand is I believe the availability of retail  
14 where you do now have Home Depot devoting significant  
15 space and valuable space, Lowe's, Costco and Sam's,  
16 which makes a product that used to be available from  
17 an industrial distributor that was in the older part  
18 of town, harder to know, harder for more people to  
19 have access to. Again, I think it just comes back to  
20 availability at retail.

21 MR. SIMON: I actually thought it was the  
22 publicity of this case that was driving demand; that  
23 everyone was running out to buy a hand truck to see  
24 what this whole thing was all about.

25 MR. STRAW: I'd like to add something as it

1 relates to that subject.

2 From an industrial catalog standpoint, the  
3 consumer can't buy from them. They do not sell  
4 directly to consumers, whereas the retailer is a much  
5 more open channel, so they capture not only, and I'm  
6 hoping today that we sell six more hand trucks, to the  
7 consumer, the industrial customer who walks in as  
8 well.

9 The other thing to keep in mind is that  
10 retail store is open, you know, it's not quite 24  
11 hours a day/365, but it's close. The industrial  
12 distributor is typically open during normal business  
13 hours, and they're not open on the weekend, and  
14 they're not open on holidays, and they're not shipping  
15 on weekends or holidays either.

16 COMMISSIONER LANE: Okay. I have one more  
17 question. Do smaller U.S. producers compete directly  
18 with the larger producers of hand trucks?

19 MR. RIFE: Yes. In almost every case we  
20 compete with regional manufacturing.

21 MR. KVASNICKA: Yes. I would agree with  
22 that. Absolutely.

23 COMMISSIONER LANE: Okay. Thank you.  
24 That's all the questions I have.

25 CHAIRMAN KOPLAN: Thank you.

1 Commissioner Pearson?

2 COMMISSIONER PEARSON: Thank you, Mr.  
3 Chairman.

4 I hate to keep Mr. Simon there with so much  
5 curiosity and not have it satisfied. I became the  
6 owner of a hand truck this past winter. I did it for  
7 really two reasons. One is a general reason that I  
8 think might be underlying the demand increase that we  
9 see in our data, and that is that I am a baby boomer  
10 who's not getting any younger, and I've become mindful  
11 of both the pain and the cost of addressing lower back  
12 problems.

13 You know, at one point in my life a couple  
14 decades ago I would have happily picked up any box and  
15 moved it. Now I'm more sensitive to that. You can  
16 buy a very fine hand truck for the cost of a little  
17 bit of back repair.

18 The specific reason, though, is that I was  
19 tasked with obtaining a large storage cabinet for use  
20 in the basement of our house which we had acquired not  
21 too much before then, and I was at Home Depot. I'm  
22 not a sophisticated shopper of Home Depot because  
23 where we had lived before in Minnesota we didn't have  
24 one nearby, so this is kind of a new experience for  
25 me. My daughter, who is 12, would tell you I'm not a

1 sophisticated shopper at all, but particularly in  
2 regard to Home Depot.

3 I went there, and I got a large trolley and  
4 with the help of a couple Home Depot employees managed  
5 to put a 244 pound cabinet on the trolley. This, of  
6 course, is boxed up. It has to be assembled at home.  
7 I got it out to the van, and with some difficulty I  
8 got it into the van. Some considerable difficulty  
9 actually.

10 This was subsequent to when we had voted on  
11 prelim on this case, so I had become aware that Home  
12 Depot was an outlet for hand trucks. I went back into  
13 the store and hunted looking for hand trucks and  
14 managed to find them. I examined carefully the  
15 opening price point hand truck, and I was a little  
16 concerned about its ability.

17 I was concerned about its expected life if I  
18 was to use it to move this particular cabinet down  
19 several steps and around the back of my house because,  
20 you know, you have mass times velocity, and the weight  
21 rating might have been exceeded there, so I might have  
22 had an expected life of only about five minutes.

23 I looked at the sturdier, more expensive  
24 models and found one that I think had something to do  
25 with Milwaukee. At any rate, it looked to me like

1 good value for the money, and I went ahead and bought  
2 it and stuck it in the van and took it home.

3 Then I had to recruit a neighbor, who is  
4 still a friend of mine, but the two of us were able to  
5 get this large cabinet on the hand truck at night and  
6 get around the back of the house, down two steps, up  
7 four, into the basement. We have a walk-in basement  
8 in the back. We then had a beer and collapsed.

9 Subsequently, and this goes back to my  
10 younger days when I farmed for a living and managed to  
11 make things work. I had to modify it a little bit to  
12 handle firewood. Had I known then that there are  
13 3,000 different combinations, I would have gone  
14 immediately looking for the one that has the bin for  
15 firewood that can be attached and detached, but I  
16 missed that so I've created my own approach because  
17 after the hurricane that came through in September of  
18 last year suddenly my household is oversupplied with  
19 firewood, but it's in the wrong location.

20 That's probably a little more than you  
21 wanted to know.

22 MR. SIMON: Well, your story actually  
23 invites two comments. One is it does lend support to  
24 the fact that the publicity of this case caused you to  
25 go out and buy that hand truck.

1                   Secondly, I guess I'm reminded by our  
2 attorneys that I should caution you to not use a hand  
3 truck for moving product down the stairs unless it's  
4 specifically designed for that purpose.

5                   MR. MALASHEVICH: And I would add as a  
6 fellow boomer, I'm having exactly the same experience.

7                   COMMISSIONER PEARSON: You know, they are a  
8 convenient thing to have around, and they don't even  
9 take up that much space, so I've not been stumbling  
10 over it.

11                   I did have one question left. Sorry for  
12 taking so long here. I just wanted to go back to the  
13 return on investment issue. You know, here at the  
14 Commission the statute does guide us to try to look at  
15 return on investment. I'm not persuaded that there is  
16 one perfect way to do it.

17                   I know it had been indicated in your brief  
18 that you thought it wise to throw in interest and  
19 income tax and so on, and I'm sure that's legitimate  
20 in some purposes, but for us, for the industries that  
21 we deal with that vary a lot, I think it's possible we  
22 might look at different ROI measures for different  
23 industries, although I don't know whether that would  
24 be wise.

25                   If you have any specific thoughts about how

1 you think we should go about collecting and analyzing  
2 that information in a general sense, I'd be interested  
3 in it. Frankly, the simpler the better.

4 In terms of the issue you raised about the  
5 allocation of fixed costs, that's something that we  
6 have as somewhat of an issue even in the measure that  
7 you prefer, the income divided by revenue. I forget  
8 the proper name for the term, but you still have to do  
9 some cost allocations to get to that point so we're  
10 kind of stuck with some of those measurement  
11 difficulties in either case, I think.

12 MR. MALASHEVICH: Well, in part that's true  
13 in the sense that the income statement does have a  
14 component that captures a share of fixed costs, but  
15 there are a couple important differences I think.

16 First of all, as you know, the income  
17 statement is a measure of flow, whereas the balance  
18 sheet is a snapshot of where things stand at one  
19 particular time. My impression is that the Commission  
20 has always been looking for the dynamic of the  
21 industry's experience over time rather than its series  
22 of snapshots.

23 Also, in my experience, although the systems  
24 are different at all companies, there are routinely  
25 kept in the normal course of business standard costs,

1 standard measures of performance that link the costs  
2 of depreciation, of fixed overhead, to production  
3 activity in the normal course of business.

4 They do not maintain similar systems for  
5 allocating the balance sheet associated with  
6 production of individual products which, as you know,  
7 in many cases a like product is defined as something  
8 less than all the goods produced in a facility.

9 I think there are very real differences in  
10 terms of how businesses operate that drive in part my  
11 problem with the approach to return on investment in  
12 the Commission setting.

13 Now, there would be exceptions. For  
14 example, the Commission has considered cement in past  
15 years. Typically a cement plant produces only cement  
16 and nothing else and so the like product is  
17 coterminous with the assets being employed.

18 In that kind of situation, I think return on  
19 investment is perfectly legitimate to the Commission's  
20 inquiry. I think it's the multi-product setting that  
21 causes the biggest problem, combined with if you would  
22 please take a look at the confidential version of  
23 Appendix A of the distorted impact that can be had by  
24 differences in the life of assets.

25 Also, there are differences in technology

1 here versus the robotic approach employed at Harper  
2 and the welding station approach employed at Gleason.

3 I will give some further thought to that and  
4 share such ideas that I have.

5 COMMISSIONER PEARSON: Okay. I think we're  
6 relatively open-minded about trying to do this well.  
7 I mean, the statute not only asks for it, but from the  
8 standpoint of doing the analysis on cases it's  
9 somewhat interesting to have a sense of whether an  
10 industry is operating at a level that's likely to  
11 attract more capital or where it would want to shed  
12 capital. Of course, the return on investment  
13 information gives us some guidance.

14 MR. MALASHEVICH: You actually reminded me  
15 of a point I was going to make and neglected to do so.

16 I think you do get some measure of that in  
17 terms of what's happening on actual capital spending  
18 that the Commission normally surveys, but also in this  
19 particular case, and some testimony from Mr. Simon  
20 touched on this earlier, I think you do have an  
21 unusually rich record in terms of difficulty of  
22 attracting capital in a normal course.

23 You know, that suggests that whatever  
24 returns are perceived are below the cost of acquiring  
25 that capital in the circumstances.

1                   COMMISSIONER PEARSON: I know that you had  
2 already written in the brief about concerns about the  
3 North American industry classification system as it  
4 was used in this analysis. Anything you want to say  
5 quickly on the record now, or should we just let the  
6 written record --

7                   MR. MALASHEVICH: I have no trouble with the  
8 system or the database except in some cases the  
9 database yields industrial sectors that are more  
10 comparable to the like product industry at issue and  
11 other cases less.

12                   In this case it happens to be less, but I  
13 can't think of an alternative. The system is  
14 dependent upon publicly traded companies. These are  
15 generally privately held. Very, very difficult to  
16 make comparisons.

17                   COMMISSIONER PEARSON: Thank you very much.  
18 No further questions, Mr. Chairman.

19                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
20 Let me see if anyone else has additional  
21 questions. I do not.

22                   VICE CHAIRMAN OKUN: Yes, Mr. Chairman.  
23 Just two questions that can be done for posthearing.  
24 I want to direct them to both Petitioners' counsel and  
25 Respondents' counsel.

1                   First, in terms of whether appropriate  
2                   circumstances exist to exclude anyone from the  
3                   domestic industry, I know, Mr. Jaffe, in your brief  
4                   you had said that the domestic industry, all the  
5                   producers should be included, but I would like you to  
6                   look at that in some detail in light of the  
7                   information we have on the record and would ask  
8                   Respondents' counsel to do so as well.

9                   Second request would be in the context of a  
10                  threat determination, the statute at 19 U.S.C.  
11                  1673(d)(B)(4)(b) -- you know the statute; you'll find  
12                  it, but I'll tell you what it is -- says that the  
13                  Commission can find that material injury by reason of  
14                  less than fair value subject imports would have been  
15                  found by the Commission but for the suspension of  
16                  liquidation of subject merchandise.

17                  I would like both Petitioners and  
18                  Respondents to address that provision and its  
19                  applicability in the context of the facts of this  
20                  case.

21                  With that, I have no further questions. I  
22                  do really want to thank this panel. It's been a long  
23                  morning. You've provided a lot of information. I  
24                  greatly appreciate it.

25                  I would note that unfortunately I'm not

1 going to be here for the afternoon because of  
2 something that's come up with one of my children, but  
3 I will have the opportunity to review the transcript.

4 I know we have a lot of witnesses here on  
5 the Respondents' side. I will leave some questions  
6 that I hope that my colleagues will be able to address  
7 throughout the afternoon. I will pay careful  
8 attention to the transcript, but I did want to mention  
9 that as well, Mr. Chairman.

10 Thank you.

11 CHAIRMAN KOPLAN: Thank you.

12 Commissioner Miller?

13 (No response.)

14 CHAIRMAN KOPLAN: Commissioner Lane?

15 COMMISSIONER LANE: No questions.

16 CHAIRMAN KOPLAN: Thank you.

17 With that, I want to thank all of you very  
18 much for your testimony, and I'll turn to Mr. Corkran  
19 and the staff to see whether staff has any questions.

20 MR. CORKRAN: Douglas Corkran, Office of  
21 Investigations. Thank you, Mr. Chairman. The staff  
22 has no further questions.

23 CHAIRMAN KOPLAN: Thank you.

24 Mr. Bruno, before I release this panel, do  
25 you have any questions of the panel?

1 MR. BRUNO: No questions, Mr. Chairman.

2 CHAIRMAN KOPLAN: Thank you.

3 (Panel excused.)

4 CHAIRMAN KOPLAN: With that, we'll take a  
5 lunch break until 1:45 p.m., so we'll stand in recess  
6 until that time.

7 Thank you all very much for your testimony.  
8 I very much appreciate it.

9 (Whereupon, at 12:37 p.m. the hearing in the  
10 above-entitled matter was recessed, to reconvene at  
11 1:45 p.m. this same day, Thursday, October 7, 2004.)

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1 answers, the Commission is going to hear from our  
2 witnesses today actual experiences with respect to  
3 some of the items in our prehearing brief, including  
4 the lack of quality and service by the domestic  
5 industry, especially Gleason.

6 In addition to our testimony, I wonder why  
7 or if the Petitioners' counsel and the Petitioners  
8 have read closely the ITC staff report. In that staff  
9 report it's very clear that not just one, but more  
10 than one, of Gleason's customers comment specifically  
11 on the poor quality of the Gleason product being one  
12 of the reasons why they decided to switch suppliers  
13 from Gleason to other suppliers of hand trucks.

14 In addition, what Gleason has not responded  
15 to is the point that we raise in our brief that the  
16 Gleason customers are not just looking to Chinese  
17 suppliers for their hand trucks as a result of  
18 problems that they've found with Gleason and other  
19 domestic suppliers, but actually they are looking to  
20 domestic industry sources.

21 There is a large segment of the so-called  
22 home improvement market that Gleason has not mentioned  
23 today. It was mentioned in the course of questions  
24 from several Commissioners, and that is the so-called  
25 wholesale clubs. We categorize or include wholesale

1 clubs as part of the so-called home improvement  
2 market.

3 As our witnesses will testify today, Gleason  
4 has tried to compete in that market, could not compete  
5 in that market, and in fact that market is not  
6 dominated by Chinese imports, but rather by a domestic  
7 supplier.

8 CHAIRMAN KOPLAN: You obviously made quite  
9 an impression on our microphone system as well.

10 MR. ZOLNO: I hope so. I hope the hand  
11 truck doesn't start rising and come my way.

12 Just in conclusion before I turn the floor  
13 over to Pam LaFontaine, we've heard from two of the  
14 Gleason witnesses that they were not ready to cry  
15 uncle and they wanted to do something about what they  
16 perceive as their woes being the cause of Chinese  
17 imports, but in our estimation instead of crying uncle  
18 they're crying wolf.

19 We are going to point out again the problems  
20 that they're having with their customers and their  
21 market shrinking being the result not of the Chinese  
22 imports, but the poor quality and service that Gleason  
23 provides its customers.

24 Pam?

25 MS. LAFONTAINE: Good afternoon, Mr.

1 Chairman and members of the Commission. My name is  
2 Pam LaFontaine, and I am the Director of Marketing for  
3 Safco Products Company, a division of Liberty  
4 Diversified, Inc.

5 Liberty Diversified is based in New Hope,  
6 Minnesota, and is a privately held family of companies  
7 that designs, manufactures and markets products and  
8 creative solutions for the packaging, office and  
9 industrial business sectors.

10 LDI employees 1,700 people in the United  
11 States. Two LDI companies have an interest in the  
12 antidumping duty investigation on Chinese hand trucks  
13 before the Commission, Safco Products and Valley  
14 Craft. I address the Commission today on behalf of  
15 both Safco and Valley Craft, collectively LDI.

16 From the outset, it's important to discuss  
17 the U.S. hand truck market from LDI's perspective and  
18 in which market segments LDI competes. Home  
19 improvement stores such as Home Depot and Lowe's  
20 constitute the largest U.S. market segment selling  
21 hand trucks, and U.S. producers such as Gleason and  
22 Harper supply large numbers of hand trucks to those  
23 retailers.

24 LDI has chosen not to supply to this very  
25 competitive sector of the market even though LDI sells

1 hand trucks that are competitive with those sold at  
2 the home improvement stores.

3 In addition to Home Depot and Lowe's, other  
4 home improvement market purchasers are wholesale clubs  
5 such as WalMart, Sam's Club and Costco. In fact,  
6 these companies, which are among the top five  
7 retailers in America, probably constitute the largest  
8 and fastest growing sector in the hand truck home  
9 improvement market.

10 Another U.S. market segment includes office  
11 supply stores such as Staples, Office Max, Office  
12 Depot and similar retail outlets where businesses  
13 usually purchase a variety of office suppliers,  
14 including hand trucks.

15 Virtually all of our hand trucks are sold  
16 into these business supply stores that purchase and  
17 sell hand trucks at a price point that is higher than  
18 that at the home improvement store. At one time  
19 Gleason and Harper were competitors in this market.  
20 They no longer are because of factors that I will  
21 discuss in a moment. This sector, by the way, seems  
22 to have been ignored or misclassified in other  
23 categories in this investigation.

24 The third market segment from our  
25 perspective is the industrial sector. The industrial

1 sector consists of factories and other businesses that  
2 require hand trucks for heavy duty and/or specialized  
3 needs such as moving oil drums and other heavy duty  
4 loads. Although we used to supply a limited number of  
5 hand trucks to this market segment, the company has  
6 shifted virtually all of its sales to the office  
7 supply stores.

8 Producers and suppliers of the hand trucks  
9 in the United States have experienced very difficult  
10 times over the last five years. Attributing a  
11 decrease in sales solely to an increase in imports  
12 fails to consider other significant factors.

13 The slowdown of the U.S. economy that began  
14 in 1999 and 2000 greatly affected the demand for hand  
15 trucks. In particular, during this time LDI  
16 experienced a dramatic drop in sales of its material  
17 handling products, including the high end hand trucks,  
18 to its then existing customers.

19 In our experience, material handling  
20 products are usually the first to experience sales  
21 decrease during economic turndowns and are usually the  
22 last to come back as the economy turns around. Also,  
23 the events of 9-11 significantly affected sales of all  
24 of our product lines, including hand trucks.

25 The raw materials needed to fabricate hand

1 trucks are increasingly more expensive, which results  
2 in higher costs to producers and importers.  
3 Therefore, the current economic environment requires  
4 that producers, importers, wholesalers and retailers  
5 become very innovative to stay competitive.

6 To battle the higher prices of finished hand  
7 trucks and keep its product line attractive to its  
8 customers, LDI has thrived to design a better product  
9 and provide its customers with added services to  
10 facilitate the shipping, warehousing and sale of its  
11 imported hand trucks.

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

19 In addition, our company must allocate funds  
20 to retailers to cover additional expenses associated  
21 with marketing and advertising of the hand trucks and  
22 the training of our customer sales staff.

23 Some domestic producers have not responded  
24 to these relatively new vendor demands by making the  
25 investments necessary to implement them, and as a

1 result they have become much less competitive with a  
2 negative economic consequence. The cost of meeting  
3 these customer requirements can greatly increase the  
4 wholesale cost of a hand truck by as much as 25 to 30  
5 percent a unit.

6 Some domestic producers have also failed to  
7 adapt the design of their hand trucks to appeal to  
8 evolving needs of the consumer. For example, over  
9 recent years LDI has redesigned its hand trucks to  
10 include better ergonomics such as LDI's handle styles  
11 on its Stowaway and Power Grasp handles on its hand  
12 trucks, new wheel design and technology, including  
13 folding and collapsible features, smaller and lighter  
14 weight designs, anti-skid decks and color choices that  
15 enhance safety standards.

16 However, the largest domestic producer and a  
17 Petitioner in this case, Gleason, has failed to refine  
18 and improve its hand truck design over the years and  
19 manufactures only a very basic hand truck that differs  
20 little from the hand trucks it has offered for sale  
21 over most of the past half century.

22 Although Gleason was one time a competitor  
23 in the office hand truck market, it has virtually  
24 disappeared as a player in our market because of its  
25 failure to meet the demands of customers in this

1 segment of the market.

2           There are other factors that make the  
3 domestic hand trucks less competitive in the U.S.  
4 marketplace. The quality of the hand truck is very  
5 important, and we have found that Chinese hand trucks  
6 consistently surpass domestic hand trucks in meeting  
7 customer specifications.

8           Also, many office supply retailers often  
9 prefer hand trucks with detachable toe plates. This  
10 feature allows the size of the hand trucks to be  
11 reduced considerably for shipping, storing and  
12 merchandising.

13           In addition to quality, good service is the  
14 second most important criteria to our customers.  
15 Gleason, Harper and Magline, based on our competitive  
16 evaluations, have failed to meet the service needs of  
17 their customers, many of which have looked elsewhere  
18 to source their hand trucks during the period of the  
19 investigation.

20           In addition to refining the physical  
21 features of the hand trucks, we have pursued other  
22 merchandising strategies to make our hand trucks more  
23 competitive. Many retailers strive to consolidate  
24 their purchases among a core group of vendors that  
25 offer a wide range of products. LDI has responded to

1 this environment by expanding its product line in both  
2 the number of products offered for sale, as well as  
3 the price points at which these products are sold.

4 By broadening its product offering, LDI  
5 expands the business relationship with its core  
6 customers and solidifies its market base. Gleason,  
7 Harper and Magline have failed to embrace this market  
8 strategy and proceed as they always have without  
9 attention to shifting market realities.

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

14 MR. ZOLNO: I think before, if you will, the  
15 Commissioners ask questions of our witnesses, there  
16 are certain points that our witnesses want to make in  
17 rebuttal of some of the testimony this morning.

18 MS. LAFONTAINE: One of the comments that  
19 was made this morning was a direct quote from a  
20 customer that basically said based on your decision in  
21 this matter, they would source their products in China  
22 so fast it would make their heads spin.

23 I guess I would ask if that's a reflection  
24 of going to China for the price or more a level of  
25 frustration that they've experienced in dealing with

1       them.

2                   The other part that I'd like to discuss is  
3       that in our market segments we are most often compared  
4       with the buyers to Gleason and/or Harper, and more  
5       often than not they come in with a better price than  
6       we come in with. It's a combination of all of those  
7       things, and price is third on the list.

8                   The other thing I wanted to make sure I made  
9       a point, and this is somewhat personal. China is not  
10      the issue here. We've imported hand trucks for many,  
11      many years. You can go to India. You can go to  
12      Malaysia. We can go to Thailand.

13                  If the true intent is to move away from  
14      Gleason because of their inability to be competitive  
15      or quality issues, the end result for them will be the  
16      same. They can go to other countries. China to me  
17      just is not the issue here.

18                  MS. JEONG: Good afternoon. My name is Rosa  
19      Jeong, and I'm with the law firm of Greenberg Traurig.  
20      We're appearing this afternoon on behalf of the  
21      Chinese Respondents in this case.

22                  Also with me are Philippe Bruno from whom  
23      you've already heard, Mr. Feng Xue Lou and Mr. Ge  
24      Zhiqiang of the Taifa Group, who have traveled a long  
25      way to attend this hearing.

1           Mr. Feng will be providing you with details  
2 concerning Taifa's hand truck business. Because Mr.  
3 Feng's English is limited, his testimony will be read  
4 by Ms. Wei-Mo Liu of our firm. Mr. Feng, along with  
5 Mr. Ge, will be available to answer any questions that  
6 you may have.

7           We also have Mr. Liu Huijuan of China  
8 Chamber of Commerce for Import & Export of Machinery &  
9 Electronic Product, who is here to tell you a bit  
10 about the overall Chinese hand truck industry.

11           On behalf of our clients, I'd like to first  
12 thank the Commission for this opportunity to provide  
13 this presentation. As Philippe mentioned earlier this  
14 morning, we believe that the evidence collected in  
15 this final phase of the investigation confirms that  
16 the U.S. hand truck industry is not presently injured  
17 or is threatened with material injury by reasonable  
18 Chinese imports.

19           In our prehearing brief, we discussed in  
20 detail the data that supports a negative injury and  
21 threat determination by the Commission. Without  
22 repeating all of our arguments or discussing any  
23 confidential information, I'll point out several key  
24 points that belie Petitioners' case.

25           This case is about one thing. It is about

1 Gleason's relationship with two of its largest  
2 customers, Home Depot and Lowe's. This case was filed  
3 essentially over Gleason's alleged fears that it was  
4 about to lose these two customers to Chinese imports.

5 When Gleason prepared and filed its  
6 petition, the U.S. hand truck industry was not  
7 suffering any material injury, which Gleason admitted  
8 as much during the preliminary conference. As a  
9 result, the case came down to determining whether the  
10 future loss of sales to these two customers threatened  
11 the U.S. industry with material injury.

12 Gleason blamed the Chinese product for the  
13 potential loss and argued that the loss of these two  
14 customers would be devastating to the U.S. industry.  
15 As it turned out, Gleason did not lose these customers  
16 to Chinese imports, and there's no clear indication  
17 that it will lose them in the near future to Chinese  
18 imports.

19 Petitioners claim that these sales were only  
20 saved by the filing of this dumping action, and these  
21 customers will immediately go back to imports if the  
22 Commission reaches a negative decision. The evidence  
23 on the record does not support this claim.

24 First, recent reports that Home Depot,  
25 Gleason's largest customer, has resumed purchasing

1 from Gleason after the preliminary dumping duties were  
2 imposed on Chinese goods. However, Gleason also  
3 reports that instead of returning the entire purchase  
4 volume to Gleason, Home Depot split its purchases with  
5 one of Gleason's U.S. competitors.

6 Now, you'll recall from the preliminary  
7 conference and also this morning that one of Gleason's  
8 representatives here explained that when customers  
9 like Home Depot decide to switch suppliers it  
10 generally does that through a gradual phaseout. Home  
11 Depot, of course, is not here to explain its reasons,  
12 but it sure looks like the Home Depot, by bringing on  
13 another U.S. customer, is indeed proceeding with a  
14 phaseout of Gleason's product as planned. This seems  
15 to indicate that Chinese imports were not the real  
16 reason that Gleason was being pushed out by Home Depot  
17 if that was true.

18 Indeed, the purchaser questionnaires  
19 collected by the Commission reveal that some of  
20 Gleason's customers were turning away from Gleason for  
21 reasons other than the prices offered by Chinese  
22 suppliers. I can't get into details due to the  
23 confidential nature of the information, but I ask the  
24 Commission to review carefully the responses of the  
25 U.S. purchasers who allegedly replaced Gleason with

1 Chinese goods.

2           The company specific shipment and financial  
3 data also indicate that some of the U.S. producers  
4 have successfully increased their sales at the expense  
5 of other U.S. producers. These allegations of lost  
6 sales represented a cornerstone of Gleason's petition  
7 and its preliminary conference presentation. In fact,  
8 Gleason lost very few sales during the period of  
9 investigation, which volumes as confirmed by the  
10 Commission were not very significant.

11           Without the lost sales, what is left is the  
12 economic data that presents a U.S. industry showing no  
13 signs of vulnerability in the face of increasing  
14 imports. The volume of Chinese imports of hand trucks  
15 increased both in absolute and in relative terms  
16 during the period of investigation.

17           However, even when Chinese imports were at  
18 their highest levels, the data collected by the  
19 Commission demonstrates that the U.S. hand truck  
20 industry remained profitable. The profits posted by  
21 the U.S. industry exceeded the levels for industries  
22 for which the Commission in the past has found to be  
23 not injured.

24           Production was stable throughout the period  
25 of investigation, and U.S. prices, in spite of some

1 data that shows underselling by Chinese imports, have  
2 been stable as well. Market share percentage  
3 declined. However, the absolute volume of shipments  
4 remained stable, indicating that the U.S. industry did  
5 not lose any of its existing market to Chinese  
6 imports.

7           During the time when Chinese imports  
8 increased, the size of the U.S. market increased at  
9 about the same pace. Petitioners agree in their  
10 prehearing brief that Chinese imports captured only  
11 the growth in the U.S. demand, leaving the volume of  
12 U.S. shipments unaffected.

13           The data also shows that the increase in  
14 demand was most pronounced in the home improvement  
15 center segment of the market. Given that the volume  
16 of U.S. shipments was stable throughout the period of  
17 investigation, it also shows that the Chinese imports  
18 contributed to the growth of that market rather than  
19 taking any sales away from the U.S. industry.

20           Petitioners contend that because of Chinese  
21 imports, the U.S. producers are deprived of their  
22 share of this growing market. They point to the  
23 industry's reported capacity utilization numbers,  
24 which averaged about 40 to 44 percent during the  
25 period of investigation.

1           Petitioners claim that the U.S. industry has  
2 the capacity to meet all the additional demand. This  
3 is highly questionable. When you review the reported  
4 data closely, it is apparent that the U.S. industry's  
5 capacity was greatly exaggerated because the reported  
6 capacity of one U.S. producer was calculated based on  
7 assumptions that were just simply unreasonable.

8           It seems that Petitioners, who must have  
9 been aware that the data failed to support their  
10 claim, invented capacity that may not exist. In fact,  
11 Petitioners in Exhibit A and 8 of their prehearing  
12 brief refer to the corrected capacity figures, which  
13 were based on reasonable assumptions.

14           The difference between this figure and the  
15 reported data is tremendous. The corrected capacity  
16 figures seem to be much more consistent with all other  
17 economic indicators observed in this case. The  
18 correct capacity numbers show that the U.S. hand truck  
19 industry, even at its full capacity, could not even  
20 come close to meeting all of U.S. demand during the  
21 period of investigation.

22           Based on the demand levels in 2003, U.S.  
23 purchasers much turn to imports for about 50 percent  
24 of their hand truck needs. If the Chinese imports are  
25 shut out of this market due to this case, there will

1 be a shortfall of more than a million units of hand  
2 trucks in the U.S. market, leaving the U.S. purchasers  
3 with really no choice but third country imports. The  
4 data collected by the Commission shows this is already  
5 happening.

6 As I already mentioned, the U.S. hand truck  
7 industry is stable and profitable. It was able to  
8 weather the increase in Chinese imports and posted a  
9 sizeable profit, even when Chinese imports were at  
10 their peak in 2004.

11 At the same time, the data also shows that  
12 the level of Chinese imports will not grow much more  
13 beyond the current levels. The Chinese hand truck  
14 industry is now producing at close to their maximum  
15 capacity, and there are no plans to expand this  
16 capacity. Therefore, there's no reason to believe  
17 that the imports will be increasing significantly in  
18 the near future.

19 The presence of Chinese imports has had no  
20 discernable impact on the U.S. industry, and there is  
21 no reason to believe that this will change in the  
22 future. Under these circumstances, we believe that  
23 the Commission should conclude that the U.S. industry  
24 is not threatened with material injury by reason of  
25 Chinese imports. Thank you.

1 I will now turn to Mr. Feng.

2 MS. LIU: I am not Mr. Feng, but I will read  
3 for him.

4 MR. FENG: Good afternoon. My name is Feng  
5 Xue Lou. I'm the chairman and the president of  
6 Qingdao Taifa Group Company. I have traveled here  
7 from China to help the Commission understand Taifa's  
8 hand truck business.

9 I have worked in the hand truck business for  
10 over 20 years. After finishing my education, I  
11 started with Taifa as a workshop employee operating  
12 drilling machines and have also worked in the sales  
13 and export side of Taifa's business.

14 Taifa is both the oldest and the largest  
15 manufacturer of pushing carts in China, specializing  
16 in wheelbarrows, go-carts, garden carts, hand truck,  
17 tires and castors. To my knowledge, Taifa accounts  
18 for about a third of all hand truck production in  
19 China and about 50 percent of exports of hand trucks  
20 to the United States from China.

21 I think that Taifa's questionnaire response  
22 submitted to the Commission may have indicated an  
23 incorrect percentage in this regard. In terms of all  
24 exports of hand trucks to all export markets, I  
25 believe that Taifa accounts for over 40 percent.

1                   Hand trucks are sold to customers in about  
2                   30 different countries. In addition to the United  
3                   States, our major customers of hand trucks are located  
4                   in Europe, Australia, Japan and New Zealand. The  
5                   United States is about 50 percent of our hand truck  
6                   business, but we also consider Europe a very important  
7                   market.

8                   Europe is our oldest export market and has  
9                   been growing steadily. Today, Europe accounts for  
10                  about 30 percent of all our hand truck exports. Our  
11                  major customers in Europe, such as OBI, B&Q and  
12                  Carrefour, not only purchase hand trucks from Taifa,  
13                  but also buy wheelbarrows and a range of other  
14                  products like garden carts, tires and castors.

15                  Thanks to our constant efforts to improve  
16                  our products and meet our customers' standards, we  
17                  have been recognized as a reliable source of quality  
18                  products in many countries. As a result, our  
19                  production has been close to full capacity in the past  
20                  few years.

21                  The United States, of course, is an  
22                  important part of our overall export business, which  
23                  has grown in the recent years. However, that does not  
24                  mean that we slowed down in our business in other  
25                  parts of the world. In particular, right now we have

1 the fastest growing market in Asia.

2 In Europe, we have a number of long-term  
3 contracts with several customers. These include  
4 agreements with three-year renewable terms and also  
5 arrangements in which Taifa owns exclusive rights to  
6 produce patented products. Right now, about half of  
7 Taifa's European sales are based on these long-term  
8 contracts.

9 We also have supply contracts with major  
10 Japanese customers such as Toyota, Mazda and Tongin.  
11 The terms of these supply contracts are renewed every  
12 year. We have established and maintained a  
13 longstanding, good, solid customer base in many  
14 countries. We have no plans to give up or decrease  
15 our sales to those markets.

16 Hand trucks are only a small part of our  
17 business. For Taifa, the most important product line  
18 is wheelbarrows. Wheelbarrows take up about one-third  
19 of Taifa's total production capacity and bring in  
20 about 40 percent of Taifa's total revenue.

21 Some of our products do share the same  
22 production resources with hand trucks. However, the  
23 shared facilities are limited. Wheelbarrows'  
24 production line is different from a hand truck  
25 production line because wheelbarrows require different

1 types of materials and equipment.

2           The only product that can potentially share  
3 the production line with hand trucks are garden carts  
4 and platform trucks. Garden carts account for about  
5 seven percent of Taifa's production capacity.  
6 Platform trucks take up less than 7 percent.  
7 Therefore, even if Taifa decided to devote all such  
8 production to hand trucks instead of these two  
9 products, Taifa can, at most, increase its capacity by  
10 14 percent. However, we cannot decrease the  
11 production of garden carts and platform trucks because  
12 they are a part of regular orders from our major  
13 customers. Therefore, we are not able to produce many  
14 more hand trucks than our current levels.

15           Recently, several of our major customers  
16 have turned to suppliers in other countries, such as  
17 Indonesia, Malaysia, Mexico, Vietnam, and India,  
18 because they offer cheaper prices and also because of  
19 this antidumping case. After this case was filed,  
20 Taifa received no new orders, and our customers have  
21 told us that they buying supplies from other  
22 countries. One of our major customers has even told  
23 us that it is setting up a hand truck plant in India  
24 to replace its purchase from Taifa.

25           Even if there is no more dumping duty, it

1 would be difficult to get those customers back once a  
2 relationship has been established between the  
3 customers and those suppliers. Obviously, the  
4 customers who are now setting up production in other  
5 countries will not buy from Taifa ever again,  
6 regardless of antidumping duties.

7 By concentrating on this quality and  
8 reliability, Taifa enjoyed a steady growth in our hand  
9 truck sales. Nevertheless, Taifa's overall business  
10 depends on maintaining a wide range of products to  
11 diverse markets. We do not believe that Taifa or any  
12 other trucks from China have taken away any sales from  
13 U.S. producers. If Chinese hand trucks are completely  
14 shut out of the U.S. market, the U.S. market will just  
15 fill up with hand trucks from other countries. I  
16 suppose that in about a year, Gleason should be busy  
17 preparing about 10 different antidumping petitions  
18 against various countries.

19 I hope that the Commission will consider  
20 these facts carefully and reach a fair decision on  
21 this case. Thank you.

22 MS. HUIJUAN: Good afternoon. My name is  
23 Liu Huijuan. I am a project director for China  
24 Chamber of Commerce for Import and Export Machinery  
25 and Electronic Products. The chamber of commerce is a

1 nonprofit, nongovernmental organization which  
2 represents and promotes the interests of machinery and  
3 electronic product exporters and producers in China.  
4 The chamber also acts as a resource for export and  
5 market-related information. The chamber does not  
6 control or coordinate any activities of individual  
7 companies.

8 I am here to provide information on the  
9 overall Chinese hand truck exports. Although the  
10 exact statistics on the production and export of this  
11 industry are not kept by any organization, we have a  
12 pretty good idea of the general size of the export  
13 industry through our interactions with companies. We  
14 believe that there may be about 20 to 30 Chinese  
15 companies, including trading companies, that export  
16 hand trucks. Of these companies, all major producers  
17 are located in the Qingdao area. The largest producer  
18 and exporter of the hand trucks is Taifa, whose  
19 representatives are here today. Other major producers  
20 are Huatian, Zhenhua, Xinghua, and Tianhe. By our  
21 estimate, these companies account for about 80 percent  
22 of all exports of hand trucks to the United States.

23 I understand that these companies all have  
24 provided information to the Commission in this case.  
25 To our knowledge, the remaining producers are very

1 small and do not account for more than 20 percent of  
2 total U.S. exports. We are not aware of any major new  
3 investment in the hand truck industry planned in the  
4 near future.

5 We believe that the Commission has collected  
6 information that represents the majority of the hand  
7 truck industry in China, and we should be relied on by  
8 the Commission in this case. Thank you.

9 MR. BRUNO: This completes our presentation.  
10 Thank you.

11 CHAIRMAN KOPLAN: Thank you. Before we  
12 begin the questioning, I would like to particularly  
13 thank those witnesses who have traveled such a great  
14 distance to come and contribute to our presentation  
15 today. I also want to thank you for providing us in  
16 advance of your testimony with copies of your prepared  
17 statements. That is also appreciated. We will now  
18 begin the questioning with Commissioner Miller.

19 COMMISSIONER MILLER: Thank you, Mr.  
20 Chairman, and let me join in welcoming and thanking  
21 those of you who have come from your businesses and  
22 from quite far distances to help us understand the  
23 product in your industry. We appreciate it very much.

24 I think perhaps I would like to begin with  
25 Ms. LaFontaine and Mr. Zolno. In your testimony, Ms.

1 LaFontaine, you've emphasized the quality issues on  
2 the supply side that you say are responsible for  
3 customers perhaps turning away from the domestic  
4 producers, and, Mr. Zolno, in your initial statement  
5 you emphasized that -- you made a comment at one point  
6 that you felt that the Petitioners hadn't read the  
7 staff report and what it said on this point.

8 Well, let me go to what the staff report  
9 says on that because I'm trying to essentially  
10 reconcile what I'm hearing from you and what our staff  
11 report says. In terms of the purchaser information  
12 and what's contained in our Chapter 2, the description  
13 of conditions of competition and the general economic  
14 environment, it seems, in that chapter, the majority  
15 of purchasers, by far, found the Chinese and U.S.  
16 products to be comparable in almost all categories,  
17 and what's described as an appreciable minority of  
18 purchasers view the U.S. as superior in terms of  
19 supply, product consistency, and quality exceeding  
20 industry standards. So I have a contradiction here  
21 that I wonder if you can help me understand.

22 MR. ZOLNO: The staff report points out  
23 specific instances of customers of U.S. producers that  
24 found specific deficiencies in their hand trucks.

25 COMMISSIONER MILLER: You're referencing the

1 discussion in the lost sales and revenue section. Is  
2 that the part that you're referring to?

3 MR. ZOLNO: I don't have the report in front  
4 of me, but it was more than one U.S. importer who also  
5 was at one time a customer of the Petitioner, and they  
6 point out specific problems that they had with the  
7 quality of their products.

8 COMMISSIONER MILLER: I think what you must  
9 be referencing is what's in the lost sales and revenue  
10 section where some purchasers made those kinds of  
11 comments, but I'm trying to balance that against  
12 another part of the information in the staff report  
13 where 12 purchasers essentially were asked these  
14 questions and overwhelmingly said the products were  
15 comparable. So that's exactly the contradiction that  
16 I'm trying to reconcile.

17 MR. ZOLNO: Well, that is a collective  
18 response -- summary of the question posed by the  
19 staff, --

20 COMMISSIONER MILLER: Right.

21 MR. ZOLNO: -- and that obviously dealt not  
22 just with Petitioners' hand trucks but dealt with the  
23 domestic industry as a whole. However, the statement  
24 that we made was that there were specific instances of  
25 customers of the Petitioners commenting on the poor

1 quality of Gleason's products as one reason why they  
2 either decided to switch to Chinese products or, at  
3 least, contemplated switching to Chinese products.

4 COMMISSIONER MILLER: Ms. LaFontaine, do you  
5 want to help me a little bit?

6 MS. LaFONTAINE: Sure.

7 COMMISSIONER MILLER: Tell me, in particular  
8 -- I mean, it was in your testimony that I read about  
9 the office supply stores and how that channel may be  
10 different from any of the other channels, your view of  
11 that.

12 MS. LaFONTAINE: With relationship to  
13 quality specifically or just in general?

14 COMMISSIONER MILLER: Just in general, yes.

15 MS. LaFONTAINE: Just in general? How is it  
16 different?

17 COMMISSIONER MILLER: First, go ahead and  
18 sort of add whatever comments you would like to on the  
19 contradiction I see in our report on the quality  
20 issue.

21 MR. ZDON: Yes. Let me address the  
22 channels, in particular.

23 COMMISSIONER MILLER: Mr. --

24 MR. ZDON: -- Zdon.

25 COMMISSIONER MILLER: -- Zdon.

1                   MR. ZDON: Yes. Dan Zdon from LDI. The  
2 channels, from our perspective, and I think they  
3 correspond to the Petitioners, is there is a home-  
4 improvement channel, which we all agree is Lowe's and  
5 Home Depot. Then there is an industrial market, which  
6 Grainger and some smaller distributors and some larger  
7 regional distributors fall into, but they sell  
8 primarily to industrial customers. Then there is an  
9 office products channel that is different than those  
10 other two that sell primarily to an office setting,  
11 and while it's a competitive hand truck, it's used for  
12 different things. It's used for taking around a ream  
13 of paper or a case of paper and things like that, used  
14 much differently.

15                   All of those customers, including Home Depot  
16 and Lowe's, Grainger, and the office products people,  
17 have catalogs. So to clarify catalogs as a channel  
18 really doesn't correspond because they all have  
19 catalogs that they use as one of their marketing  
20 tools, along with Internet and everything else.

21                   So we see it a little differently, or  
22 perhaps classified a little differently, in consumer,  
23 industrial, and then office, and we participate  
24 primarily in the office products side of that. Does  
25 that help?

1                   COMMISSIONER MILLER: Yes. Well, it does in  
2 terms of, you know, how you see them, but then tell me  
3 how they differ. I mean, you heard a number of  
4 questions this morning about us having remarked on  
5 differences in prices between the different channels  
6 that we have. I'm just interested in your view of the  
7 competition at the different channels, --

8                   MR. ZDON: Sure.

9                   COMMISSIONER MILLER: -- how it's different.

10                  MR. ZDON: Sure. Again, different than the  
11 Petitioner, actually the prices in the office products  
12 market is much higher than in the industrial or  
13 consumer markets. Because it's not a primary  
14 purchase, -- it's not a destination purchase -- it's  
15 an add-on purchase -- the retail prices, or the prices  
16 that the customers pay, are actually much higher than  
17 they would be either in a consumer big box or even in  
18 a Grainger catalog or industrial-type sale.

19                  So in the office products channel, a hand  
20 truck is an add-on purchase. It's used sporadically.  
21 It's not used as a way to make a living, I think, is  
22 the way they classify it. It's not a consumer, as the  
23 big-box, home-improvement stores are, but it's  
24 certainly not industrial either.

25                  COMMISSIONER MILLER: I don't know. It

1 seems to me these days all of these different channels  
2 are getting kind of hard, you know, to separate,  
3 aren't they? I get all of them. Perhaps Grainger is  
4 selling through a catalog to a pure industrial;  
5 otherwise, all of these channels seem to me that they  
6 are getting kind of blended together. They are your  
7 customers. You know better than I do.

8 MR. ZDON: Actually, they don't blend  
9 together that well, and that's why they each kind of  
10 hold their own boundaries, and that's why there is  
11 different pricing from channel to channel because,  
12 again, they may be going after the same customer, but  
13 they are going after them in a different environment,  
14 either as a primary-destination purchase or as an add-  
15 on purchase.

16 COMMISSIONER MILLER: Okay. Ms. LaFontaine,  
17 do you want to help me anymore on my sort of  
18 contradiction that I see in our report or in the  
19 information we've gathered on quality, please?

20 MS. LaFONTAINE: All I can comment to is  
21 specific instances that we've had in competitive  
22 situations with the Petitioner. Typically, when we've  
23 gone in and reviewed that category, the hand truck  
24 category, as a whole and sat down with a buyer, we ask  
25 them specifically why they would or wouldn't want to

1 move their purchases from the existing supplier, and  
2 there have been several instances where the specific  
3 example was service and quality. And as I mentioned  
4 in my closing comments, many times our price is higher  
5 than what the Petitioner's price has been in the same  
6 situation.

7 COMMISSIONER MILLER: Okay.

8 MS. LaFONTAINE: So there was more value put  
9 on the quality and the service.

10 COMMISSIONER MILLER: Okay. All right.

11 Well, it's not the first time we've seen  
12 contradictions that we have to find our way through,  
13 so we'll just keep working on it. I see the yellow  
14 light is on. I'm trying to see if there is anything I  
15 can do briefly. I don't think so. I'll hold any  
16 further questions. Did you want to make a further  
17 comment?

18 MS. LaFONTAINE: Would you like a specific  
19 example of -- with Gleason, in particular?

20 COMMISSIONER MILLER: Sure, if you would  
21 like to. I always hesitate to ask for customer names  
22 unless the companies are volunteering them.

23 MS. LaFONTAINE: We actually didn't go  
24 through with this transaction, so it's okay to talk  
25 about it.

1 COMMISSIONER MILLER: Okay.

2 MS. LaFONTAINE: A couple of years ago, we  
3 closed an acquisition, and part of the company that we  
4 acquired, their business was in the warehouse channel,  
5 so the Sam's Club, and the Coscos, and so on. As part  
6 of the transition of that relationship, we went in and  
7 met with those buyers and looked through all of the  
8 product lines that Safco had to offer in addition to  
9 what we had just acquired. In that meeting, they  
10 talked about Sam's Club, in particular, was currently  
11 purchasing the Milwaukee brand hand truck through the  
12 Petitioners, and the reason that they were looking at  
13 making a shift was primarily service, lack of  
14 delivery, and quality.

15 We chose not to go down that path with them  
16 because of other initiatives we had, and I think,  
17 ultimately, it ended up going to another U.S.  
18 producer.

19 COMMISSIONER MILLER: Okay. I appreciate  
20 your answers. Thank you very much.

21 CHAIRMAN KOPLAN: Thank you, Commissioner.  
22 Commissioner Hillman?

23 COMMISSIONER HILLMAN: Thank you very much,  
24 and I, too, would join my colleagues in welcoming all  
25 of you this afternoon, and, again, our thanks,

1 particularly to our witnesses that have traveled all  
2 of the way from China to be with us. We thank you  
3 very much, and your information has been very helpful.

4 If I could, I would like to start with Mr.  
5 Feng Zuelou on a question. You stated in your  
6 testimony that when you make sales to Europe, that you  
7 are selling them not only hand trucks but also  
8 wheelbarrows and garden carts and other products.  
9 When you make sales in the U.S., are any of them also  
10 a combination of hand trucks plus any of these other  
11 products?

12 MR. FENG: Yes. For the U.S. clients, they  
13 also sell wheelbarrows and garden carts, together with  
14 the hand truck.

15 COMMISSIONER HILLMAN: And when the prices  
16 are set for that set of goods, is it priced as a  
17 package, or is the price of each of the items, the  
18 hand trucks is one price, and it's all added together,  
19 or are there discounts between the various products  
20 that are included within that package of goods?

21 MR. FENG: It's separated. The price for  
22 each product is separated.

23 COMMISSIONER HILLMAN: And how significant  
24 is it, in terms of the customer wanting to purchase  
25 from you, the fact that they can buy from you a

1 variety of products instead of buying hand trucks from  
2 one company and wheelbarrows from another company and  
3 carts or something from somewhere else? Is the fact  
4 that you are supplying them all of those goods from  
5 one place a significant factor in their selecting you  
6 to do their business with?

7 MR. FENG: As the sales manager said,  
8 because these clients would like to have Taifa to  
9 provide all of its product at one time, it's easy for  
10 them to do work, so instead of going all around to  
11 find other producers to provide them with all other  
12 products.

13 COMMISSIONER HILLMAN: Okay.

14 MS. WEI-MO: Does that answer your question?

15 COMMISSIONER HILLMAN: Yes, yes. Thank you.  
16 Then you also mentioned that in Europe that you have a  
17 number of long-term contracts with several of your  
18 customers. I was trying to make sure I understood.  
19 Was that to distinguish it from the United States? In  
20 other words, do you have a similar amount of long-term  
21 contracts with customers in the U.S.?

22 MR. FENG: For the Europe market, they have  
23 almost half of the -- sales depend on the long-term  
24 contract, but they have not yet had any in the U.S.  
25 market.

1                   COMMISSIONER HILLMAN: And when you say  
2 "long term," how long is the term?

3                   MR. FENG: We have three-year terms, long-  
4 term contracts, which we renew every three years. We  
5 have renewed the contracts for three times already,  
6 and we also have renewed each year. We have three  
7 years' long and renewed three times already, and we  
8 have lots of one-year renewable kinds.

9                   COMMISSIONER HILLMAN: And do the contracts  
10 specify both the quantity and the price within the  
11 contract?

12                   MR. FENG: The long-term agreement gives us  
13 the general idea. We probably during this period of  
14 time will buy how many quantities with roughly ideas  
15 of price, but each purchase order they will give a  
16 specific price and quantity.

17                   COMMISSIONER HILLMAN: Okay. And the  
18 purchase orders are typically issued how often?

19                   MR. FENG: It varies. Sometimes one  
20 purchase order covers one month, sometimes two months.

21                   COMMISSIONER HILLMAN: Thank you very much.  
22 Ms. Liu, thank you also for taking the time to be with  
23 us. We very much appreciate it.

24                   You mentioned in your testimony that all  
25 major producers of hand trucks are located in the

1 Qingdao area. Why is that? Why are they all in  
2 Qingdao?

3 MS. WEI-MO: She is not sure, but hand  
4 trucks may be easy to develop there. She is not sure.

5 COMMISSIONER HILLMAN: Okay. But you are  
6 certain that all of the producers are in Qingdao.  
7 There are none anywhere else in China.

8 MS. LIU: Other provinces, there are some  
9 but very little, very small.

10 COMMISSIONER HILLMAN: Okay, okay. Thank  
11 you. I appreciate that.

12 Ms. LaFontaine, just to make sure that I  
13 understand it, in looking at your testimony, you  
14 described your company as a family of companies that  
15 designs, manufactures, and markets products. I'm  
16 trying to understand whether you do manufacturing of  
17 hand trucks in the United States.

18 MS. LaFONTAINE: Valleycraft, one of our  
19 divisions, manufactures specialty hand trucks that are  
20 designed specifically for oil drums and things like  
21 that, not hand trucks of this nature.

22 COMMISSIONER HILLMAN: Okay. And when you  
23 say they manufacture, starting right from the  
24 beginning --

25 MS. LaFONTAINE: Right. Uh-huh.

1                   COMMISSIONER HILLMAN:  -- or are they  
2                   largely assembly?

3                   MS. LaFONTAINE:  No, from the tubing on, to  
4                   bending, welding, all of the processes.

5                   COMMISSIONER HILLMAN:  But everything that  
6                   Safco sells would be an imported product.

7                   MS. LaFONTAINE:  Yes, of hand trucks, yes.

8                   COMMISSIONER HILLMAN:  Okay, okay.  And for  
9                   Valleycraft, they are also selling imported product  
10                  and then just manufacturing this one limited line.

11                  MS. LaFONTAINE:  They are importing a few of  
12                  the basic line.  The primary sales for hand trucks, as  
13                  they classify them, are in the specialty drum-type  
14                  hand trucks.  Does that make sense?

15                  COMMISSIONER HILLMAN:  Yes.  And then you  
16                  heard testimony this morning from the Petitioners and  
17                  all of us trying to understand the degree to which any  
18                  price changes in the Home Depot, Lowe's home-  
19                  improvement market, whether and to what degree they  
20                  might affect prices in the hardware store market and  
21                  then, quite separately, I think, in the catalog-  
22                  industrial market.  You've described yourselves as in,  
23                  arguably, yet a different market of the office supply  
24                  stores.

25                  I guess, the same question to you.  You

1 mentioned that the products sell typically at a higher  
2 price point than the products sold at Home Depot or  
3 Lowe's. Is there a price relationship? Is there a  
4 sort of differential amount above or below which the  
5 prices start to move together, or they really are just  
6 completely separate markets?

7 MS. LaFONTAINE: They are completely  
8 separate markets.

9 COMMISSIONER HILLMAN: Is the product being  
10 sold into that market significantly different from the  
11 product being sold into either the Home Depot market  
12 or, on the other hand, into the industrial market?

13 MS. LaFONTAINE: No. Actually, we have  
14 models that are comparable to any of the models that  
15 they have.

16 COMMISSIONER HILLMAN: They would look  
17 exactly the same.

18 MS. LaFONTAINE: Yes.

19 COMMISSIONER HILLMAN: Okay. Now, we heard  
20 testimony this morning that, at least at Home Depot,  
21 they tend to actually stock only a very limited range  
22 of models, one, two, maybe three, not a wide range.  
23 How about the office supply stores?

24 MS. LaFONTAINE: To confuse you further, in  
25 the retail side of their business, they will stock a

1 limited amount, and that's probably most closely  
2 related to the Home Depots. On the business side,  
3 they will inventory a vast amount of them. They will  
4 provide a number of solutions for their customers, and  
5 they will stock them at strategic distribution points  
6 throughout the U.S.

7 COMMISSIONER HILLMAN: Okay. I appreciate  
8 those answers. Thank you.

9 CHAIRMAN KOPLAN: Thank you, Commissioner.  
10 Commissioner Lane?

11 COMMISSIONER LANE: Good afternoon. We have  
12 heard that there has been an increase in consumption  
13 of hand trucks, especially since 2001. What factors  
14 have accounted for this rapid increase in consumption?

15 MS. LaFONTAINE: The consumer research that  
16 we've participated in actually finds that it's the  
17 increase in small office and home office that's  
18 stimulating some of those purchases. So it's a new  
19 demand that's being created based on working from home  
20 and having the need to commute, so to speak.

21 COMMISSIONER LANE: Okay. Thank you. Now,  
22 Respondents have also argued that subject imports have  
23 created a separate, lower-priced market for hand  
24 trucks that did not exist in the past. However, no  
25 purchasers have cited any such lower-priced market for

1 Chinese hand trucks. Do you still contend that such a  
2 market has been created, and, if so, do you have any  
3 proof to substantiate your claim?

4 MS. JEONG: Rosa Jeong with Greenberg  
5 Traurig. I think the data that supports the claim is  
6 the fact that the growth in U.S. demand was most  
7 pronounced in the home-improvement segment of the  
8 market. You have your Home Depots and Lowe's which  
9 primarily serve your every day consumers, and to the  
10 extent that the growth in the most significant way in  
11 that market, we believe that data indicates that the  
12 growth was in the consumer segment, and that growth  
13 also corresponds to what Chinese imports have captured  
14 during that same period. So I think that leads to the  
15 conclusion that Chinese imports have contributed to  
16 growing that market.

17 COMMISSIONER LANE: Okay. Thank you. I'm  
18 not sure who to address this question to, but the data  
19 collected in this investigation suggests that on a  
20 value basis imports of finished hand trucks from  
21 nonsubject countries are relatively modest and that  
22 imports of parts from nonsubject countries, while  
23 relatively larger, are still less than imports of  
24 parts from China. Is this consistent with your  
25 experience in the market? Mr. Zolno, I see you

1 shaking your head.

2 MR. ZOLNO: Unfortunately, we have no  
3 comment on that point, Commissioner Lane.

4 COMMISSIONER LANE: Okay. Thank you. I'll  
5 go on to my next question, then.

6 At page 13 of your prehearing brief, you  
7 describe the level of competition between U.S.  
8 producers as active and contend that intra-industry  
9 competition confirms that the Chinese do not pose a  
10 threat of material injury. What is your reasoning for  
11 this line of argument?

12 MR. ZOLNO: That argument is based on the  
13 fact that the Petitioners have presented the home-  
14 improvement market where they are dominant as  
15 consisting basically of Home Depot and Lowe's.  
16 Significantly absent from that grouping, yet part of  
17 the home-improvement market, are what we call the  
18 "wholesale clubs," Sam's and Costco, for example.  
19 Therefore, we have to look at the home-improvement  
20 market as an entirety, not just a segment of the home-  
21 improvement market, as Petitioners would lead the  
22 Commission to believe.

23 Looking at that additional segment of the  
24 home-improvement market, in other words, the wholesale  
25 clubs, the wholesale clubs, as Ms. LaFontaine

1 indicated, in her experience, are buying not from the  
2 domestic Petitioner, but yet they are buying from  
3 another domestic company. So the sales are not being  
4 lost to Chinese imports; they are being substituted,  
5 one domestic company for another.

6 MS. JEONG: If I may add, I think you're  
7 actually referring to the section of our brief. I  
8 think there are at least two examples on the record  
9 that show that there is active intra-U.S. industry  
10 competition. The first is the fact that when you look  
11 at the company-specific records, company-specific  
12 financial data, you have some companies who are doing  
13 better than others and actually have increased sales.  
14 And given the fact that the total volume of U.S.  
15 shipments remained constant, it has to mean at least a  
16 portion, if not all, of those sales were taken away  
17 from other U.S. producers.

18 And second, and perhaps more telling, is the  
19 example that I mentioned in my testimony this morning.  
20 Gleason came in and said, We were the sole supplier to  
21 Home Depot for many, many years. They were happy with  
22 us. The Chinese came in, and they were deciding to go  
23 to Chinese imports because of these cheap prices.

24 Now, according to Gleason, Home Depot  
25 decided not to do that because of those pending

1 dumping duties. And if they were so happy with  
2 Gleason before, and the only reason they were turning  
3 away was a price issue from Chinese imports, why  
4 didn't they turn 100 percent of their purchases back  
5 to Gleason? Why did they bring in another U.S.  
6 producer, a competitor of Gleason? I mean, that's a  
7 very solid example of why there is U.S. competition  
8 that are taking sales away from each other.

9 COMMISSIONER LANE: Okay. Thank you. The  
10 staff report shows that low-priced imports of hand  
11 trucks from China have been increasing rapidly as a  
12 share of the U.S. market since early 2001, and that's  
13 in the staff report, page IV-11, and that overall  
14 profitability of U.S. producers has been declining  
15 despite a growing market. How should the Commission  
16 evaluate these trends as it considers the significance  
17 of the volume of subject imports?

18 MR. BRUNO: Philippe Bruno with Greenberg  
19 Traurig. I think that you are asking about volumes,  
20 and we are looking at profitability, and I would like  
21 to express some of the concerns I have with respect to  
22 this case.

23 First of all, no one denies that the volume  
24 of imports from China has been large in 2004 and has  
25 increased rapidly, but the point is that the

1 profitability of the industry has remained in the  
2 black throughout that period with some variations.  
3 And what I'm afraid of here is that Petitioners are  
4 asking the Commission to quantify how much profit they  
5 should be making. If you look at the period, it  
6 fluctuates, and I'm not saying it's higher at one  
7 point or the other.

8           What I'm saying is that the Commission is  
9 not here to determine how much profit an industry has  
10 to make. It has to determine whether an industry is  
11 materially injured, and usually when a petition is  
12 filed, we have operating losses, or we have a trend  
13 towards operating losses. Here, we have a profit in  
14 this industry which, by other measures, is pretty  
15 strong. You saw some of the indicators in the staff  
16 report. The Commission has found other industries not  
17 injured with profits much lower than those experienced  
18 by this industry.

19           So I want to make sure that when we go in  
20 the direction in which we're going at this point, we  
21 understand that the statute does not ask us to  
22 quantify how much an industry has to be making but  
23 really whether they are losing money, and they are  
24 materially injured.

25           Our view is that the volume of imports has

1 not affected the bottom line of this industry. One of  
2 the reasons is that this industry may not have  
3 captured a larger share of the market, which was a  
4 growing market, but they have been able to maintain  
5 their shipments at the same level, and that's telling.

6 Second, the capacity utilization here --  
7 there is a good reason why the capacity-utilization  
8 figures provided by Petitioners were the way they  
9 were. With 40-percent capacity utilization, they  
10 could come here and make a claim saying basically, we  
11 could have captured a larger share of the market. The  
12 problem is that these capacity figures are suspicious,  
13 to say the least, and have been revised already, and  
14 all of a sudden we have a capacity utilization which  
15 is much higher. They could not have supplied the  
16 market, which is the reason why a lot of these  
17 customers are going to other sources of supply. If  
18 they are not going to get Chinese, they are going to  
19 get something else.

20 COMMISSIONER LANE: Okay. Thank you. My  
21 time is up.

22 MR. BRUNO: Thank you.

23 COMMISSIONER LANE: Thank you, Mr. Chairman.

24 CHAIRMAN KOPLAN: Thank you. Commissioner  
25 Pearson?

1                   COMMISSIONER PEARSON: Good afternoon. I  
2 would like to join my colleagues in welcoming our  
3 visitors who have come from Qingdao. It's a long  
4 trip.

5                   I had the pleasure of spending some days in  
6 Qingdao a few years ago and found it a most  
7 interesting and fascinating city. I hope that you  
8 enjoy your time in Washington as much as I enjoyed my  
9 time in Qingdao.

10                  Permit me also to greet the Minnesotans at  
11 the table. Both of you are from Minnesota and work at  
12 New Hope? Okay. I have to confess, I've spent even  
13 more time in Minnesota than in Qingdao. I've spent  
14 most of my life there, and I regret not being there  
15 this particular fall. My observation is that the  
16 university football team is 5-0, ranked 18 in the  
17 nation. I don't recall that that ever happened when I  
18 lived there. And the Twins are going home after a  
19 long night last night in which they finally gave the  
20 game to the Yankees, but they seemed to have some  
21 reasonable probability of coming out on top in the  
22 playoff series, and that also is a wonderful thing,  
23 and it doesn't involve the Red Sox at this moment.

24                  CHAIRMAN KOPLAN: Not yet.

25                  COMMISSIONER PEARSON: (Laughter.) So, at

1 any rate, cheer them on to victory, if you could, in  
2 my absence. Let me try to get down to business here.

3 I was just wanting you to clarify, if you  
4 could, Ms. LaFontaine, does LDI see itself primarily  
5 as an importer of hand trucks or as a domestic  
6 manufacturer?

7 MS. LaFONTAINE: An importer.

8 COMMISSIONER PEARSON: Okay. Do you import  
9 from countries other than China?

10 MS. LaFONTAINE: Yes. Absolutely. We're  
11 very global. We do quite a bit in Europe. Hand  
12 trucks specifically?

13 COMMISSIONER PEARSON: Yes, hand trucks  
14 specifically.

15 MS. LaFONTAINE: Hand trucks specifically,  
16 we just recently moved them to China. Prior to that,  
17 we had been importing them from Malaysia and Thailand.

18 COMMISSIONER PEARSON: Okay. And if it's  
19 not too speculative and doesn't get into a  
20 confidential area, is it possible that in the future  
21 you might source from other countries once again,  
22 depending on developments in the marketplace?

23 MS. LaFONTAINE: Absolutely. We've already  
24 got some projects working in India.

25 COMMISSIONER PEARSON: Okay. Permit me to

1 direct a question to Mr. Feng and Ms. Liu. I asked  
2 the Petitioners this morning what they could tell me  
3 about any incentives that the Chinese provincial or  
4 local governments might provide for the export of hand  
5 trucks. Can you comment on that, please? Are there  
6 any policies of governments in China that encourage  
7 the export of hand trucks?

8 MS. WEI-MO: This is from Mr. Feng. He said  
9 he --

10 CHAIRMAN KOPLAN: Could you move your  
11 microphone closer?

12 MS. WEI-MO: Okay. Mr. Feng said he never  
13 received any subsidies or anything from local  
14 government.

15 COMMISSIONER PEARSON: Or from the  
16 provincial government also?

17 MS. WEI-MO: Never.

18 COMMISSIONER PEARSON: Okay, because I have  
19 some experience with dealing with nuances with an  
20 export policy in this country, let me ask the follow-  
21 up. He's never received anything. Has there been a  
22 time when he hasn't been required to pay some tax as a  
23 condition for export? In other words, even though he  
24 didn't receive something from the government, did he  
25 not have to give them something?

1 MS. WEI-MO: There's no tax deduction  
2 experience for him.

3 COMMISSIONER PEARSON: Okay. This morning,  
4 the Petitioners advised that at times, they have seen  
5 hand trucks offered for sale in the United States at a  
6 cost that would not pay for the purchase of the  
7 materials that went into the hand truck, if it had  
8 been manufactured in the United States. So my  
9 question is, are there differences in the cost of  
10 materials in China and the United States for the  
11 building of hand trucks?

12 (Pause.)

13 MS. WEI-MO: If the same models, the cost  
14 should be the same. The production cost should be the  
15 same; unless it's different models, then it might be  
16 quite different cost.

17 COMMISSIONER PEARSON: Okay. So, Mr. Feng  
18 would say that the cost of the materials is basically  
19 the same in each country?

20 MS. WEI-MO: May I ask you this question  
21 again? From my understanding is you said domestic  
22 sales of Chinese hand trucks and cost to the United  
23 States the same thing? What's the question? I'm  
24 sorry.

25 COMMISSIONER PEARSON: Ms. Jeong, you may

1 ask the question, if you wish.

2 (Pause.)

3 CHAIRMAN KOPLAN: Ms. Jeong, did you want to  
4 restate the question for the record, so that we would  
5 have that?

6 MS. WEI-MO: Ms. Feng said he never compared  
7 U.S. cost of production with the Chinese cost of  
8 production. He does not know what is the cost of  
9 production of hand truck in the U.S. So, he does not  
10 know right now.

11 COMMISSIONER PEARSON: Okay. Ms.  
12 LaFontaine, do you have any knowledge of the answer to  
13 that question, the material cost for manufacturing  
14 trucks in the United States versus China?

15 MS. LAFONTAINE: Our experience has been  
16 that the cost of the material is pretty much the same.  
17 The difference really comes in the labor and the  
18 production cost.

19 COMMISSIONER PEARSON: Okay. And, of  
20 course, you've, also, imported some hand trucks from  
21 other countries and so you've been --

22 MS. LAFONTAINE: Yes.

23 COMMISSIONER PEARSON: -- had some knowledge  
24 of material cost there. So, it's --

25 MS. LAFONTAINE: It's all --

1 COMMISSIONER PEARSON: -- worldwide. It's  
2 the same kind of stuff. Okay.

3 MS. LAFONTAINE: You may get some variation  
4 based on the company's specific volume and/or how they  
5 bring it in and process it. But, basically, it's the  
6 same.

7 COMMISSIONER PEARSON: Okay. I'm advised  
8 that for Taifa, the final dumping duty that Commerce  
9 has found is 27 percent. The question that I have is,  
10 if that duty goes into effect, will it have an  
11 influence on the exports of hand trucks from Taifa to  
12 the United States? For Mr. Feng, please.

13 MS. WEI-MO: Would definitely affect 100  
14 percent -- would affect Taifa's exports to the United  
15 States.

16 COMMISSIONER PEARSON: When you say that it  
17 would affect it 100 percent, do you mean that it would  
18 stop the imports from coming in or it would tend to  
19 reduce the number coming into the United States?

20 MS. WEI-MO: Both possibilities could  
21 happen, would stop or decrease dramatically.

22 COMMISSIONER PEARSON: Okay. Ms.  
23 LaFontaine, for most of the manufacturers at Qingdao,  
24 the final dumping duties are running between 25 and 30  
25 percent, basically. Looking at -- I don't know who

1 you buy from, I haven't asked -- but looking at import  
2 duties in that level, would you expect to still see  
3 some volume of Chinese hand trucks come into the  
4 United States or is that level going to be  
5 prohibitive?

6 MS. LAFONTAINE: No, it would be  
7 prohibitive. I doubt if anyone has that much of a  
8 cushion built into their pricing structure, where they  
9 could absorb that long haul. It would require people  
10 to move outside of China. I don't think it would  
11 drive it back to the U.S., however.

12 COMMISSIONER PEARSON: The pricing data that  
13 we have, of course, does show some instances, in which  
14 there has been a margin far in excess of 30 percent  
15 for hand trucks brought into the United States. And  
16 so, it would seem that, at least in theory, it would  
17 be possible at times to import them with that level of  
18 duty.

19 MS. LAFONTAINE: All I can speak to is our  
20 specific margins and program requirements and I can  
21 tell you from our perspective, we could not absorb a  
22 30 percent duty rate or increase in price.

23 COMMISSIONER PEARSON: Okay, thank you, very  
24 much. My time has expired.

25 CHAIRMAN KOPLAN: Thank you, Commissioner.

1 Thank you all for your answers to questions thus far.  
2 Let me begin, Mr. Zolno, if I could, with you. I note  
3 that at page two of your pre-hearing brief, you cite  
4 Carbon Steel Pipe Nipples from Mexico, investigation  
5 number 731-TA-719, which is a negative preliminary  
6 about 10 years ago, for the proposition that the hand  
7 truck market in the United States is very analogous to  
8 the carbon steel pipe nipple market. However, in my  
9 reviewing that investigation, it appears to me that  
10 the Commission discounted record evidence of  
11 underselling, because importers sold largely to mass  
12 retail merchandisers, while the domestic industry  
13 sales in contrast were being sold in the industrial  
14 plumbing supply portion of the market. So, I'm not  
15 able to make the connection and see an analogous  
16 factual situation present in the hand truck industry  
17 to that preliminary determination that you have cited  
18 that dates back to 1994.

19 If you disagree with my read of it, please  
20 feel free to expand on your reading of that  
21 investigation in your post-hearing submission.

22 MR. ZOLNO: Well, I think the point we were  
23 trying to make, Commissioner Koplan, is that there are  
24 two markets -- at least two markets in that case, as  
25 are in here. In other words, the Commission found

1 market segmentation. We believe that to a certain  
2 extent, there is market segmentation in the hand truck  
3 industry here. That market segmentation was not  
4 recognized during the preliminary phase of the  
5 investigation. And, in fact, as Ms. LaFontaine  
6 indicated today, they're selling -- LDI is selling  
7 primarily to the office market, whereas that category  
8 of sales was not recognized by the Commission, in its  
9 questionnaires at least.

10 CHAIRMAN KOPLAN: Thank you. I appreciate  
11 that and if you want to add, as I say, in your post-  
12 hearing, that will be fine.

13 MR. ZOLNO: Thank you.

14 CHAIRMAN KOPLAN: I appreciate that, though,  
15 for now.

16 Page six of LDI's pre-hearing brief states  
17 that 'U.S. producers exaggerate the extent of the  
18 downward trend in prices for both their products, as  
19 well as Chinese imports. In fact, the prices of U.S.-  
20 produced hand trucks did not exhibit a clear trend  
21 during the POI and prices of Chinese imports were  
22 relatively stable, while prices for other products  
23 varied widely.' The Commission staff report in  
24 Chapter 6, pages 7 and 9, states, 'higher raw material  
25 cost were the largest contributor to the overall

1 negative cost/expense variance shown in Table 6.3.  
2 Average unit direct labor and other factory costs,  
3 also, increased during most of the period, but  
4 generally to a lesser degree.' Assuming that you were  
5 correct when you state that U.S. and subject import  
6 prices were relatively stable during the POI, doesn't  
7 that suggest that the domestic industry was  
8 experiencing some degree of prices suppression or  
9 price depression from the underselling?

10 MR. ZOLNO: We would like to hand that, as  
11 well, in our post-hearing brief.

12 CHAIRMAN KOPLAN: Okay. That will be fine.  
13 On page 23 of Petitioner's pre-hearing brief, they  
14 state that 'the inability of domestic producers to  
15 match price competition in the home improvement  
16 channel, indeed to avoid price reductions for some  
17 pricing products, despite a steady increase in  
18 aggregate U.S. demand for hand trucks, is compelling  
19 evidence of current price depression in this  
20 industry.' Could you, please, respond? Ms. Jeong,  
21 did you want to respond to that?

22 MS. JEONG: I think we'll address that issue  
23 in detail in our post-hearing brief. But, first of  
24 all, I think --

25 CHAIRMAN KOPLAN: Can you move your mic a

1 little closer? Thanks.

2 MS. JEONG: But very briefly, it all ties to  
3 the capacity issue. The domestic producers do not  
4 have the capacity to capture additional market. And  
5 in light of that -- and there is actually -- and I  
6 refer the Commission to the staff report, in this  
7 regard. When you look at, in particular, the graphs  
8 that portray the prices for the domestic hand trucks  
9 versus imports --

10 CHAIRMAN KOPLAN: You're talking about the  
11 trend?

12 MS. JEONG: The trends, right. The domestic  
13 prices have remained flat. There is not -- you know,  
14 where there are slight declines, it's pretty  
15 consistent with fluctuations that are current in  
16 almost every single graph that you see. There is no  
17 actual price depression. There is no loss sales. I  
18 think these all show that there is no actual price  
19 depression in this market.

20 CHAIRMAN KOPLAN: You said you, also, were  
21 going to respond to that post-hearing. Could you,  
22 when you do that, deal with the issue of possible  
23 threat of price suppression or depression in the post-  
24 hearing, unless you want to address that now? Would  
25 you rather do it post-hearing?

1 MS. JEONG: We'll address it in the post-  
2 hearing brief.

3 CHAIRMAN KOPLAN: Good; thank you.  
4 Petitioner has claimed that the staff report's  
5 coverage of the Chinese industry is missing a large  
6 number of Chinese producers. On page 36, at note 133  
7 of their pre-hearing brief, they state, 'the  
8 Commission received only five responses to the foreign  
9 producer's questionnaire. The capacity data, then,  
10 for Chinese manufacturers of subject imports is  
11 understated. Further, at the preliminary conference,  
12 Respondents conceded that the foreign producers  
13 reporting to the Commission accounted for just 60  
14 percent of total Chinese production and just 70  
15 percent of exports of hand trucks to the U.S. market.'  
16 What is your best estimate of the number of producers  
17 of hand trucks there are in China? What is your  
18 estimate of the percentage of Chinese production  
19 represented by the responding foreign producers?

20 (Pause.)

21 CHAIRMAN KOPLAN: Mr. Bruno?

22 MR. BRUNO: In order to speed up the answer,  
23 I think we're going to address that in our post-  
24 conference brief. I just want to point out that --

25 CHAIRMAN KOPLAN: Excuse me. The thing is,

1 I would like to have included in that, in the  
2 responses of these witnesses, and I know they've  
3 traveled a great distance.

4 MR. BRUNO: Yes.

5 CHAIRMAN KOPLAN: Will you be able to --

6 MR. BRUNO: We can try to have -- there was  
7 some testimony presented earlier today on that issue.  
8 And my sense is that's going to take a little while  
9 for them to come up with an answer. But, if you have  
10 other questions, we will address them and we'll come  
11 back to this question later on, if you wish.

12 CHAIRMAN KOPLAN: Sure. And if you do feel  
13 that you can do a more detailed response in the post-  
14 hearing, I just want to make sure --

15 MR. BRUNO: Sure. No, I understand.

16 CHAIRMAN KOPLAN: -- you don't lose access  
17 to --

18 MR. BRUNO: I understand.

19 CHAIRMAN KOPLAN: -- your basis for an  
20 answer. I do have another question I can ask while  
21 they're working on it, unless -- did you want to  
22 respond now?

23 MS. WEI-MO: Okay. What she said is right  
24 now because she represents importers and exporters,  
25 Chamber; is not producers, Chamber. And right now,

1 she has the figure that almost 80 percent of exporters  
2 has been represented in this ITC, covering the  
3 producers.

4 CHAIRMAN KOPLAN: Can that be documented for  
5 us? Can you all provide documentation for that  
6 estimate?

7 MS. WEI-MO: She's going to prepare that and  
8 put it in the post-hearing brief.

9 CHAIRMAN KOPLAN: Thank you, very much.  
10 Just for the record, if you could identify who you  
11 were speaking to, when you were --

12 MS. WEI-MO: Okay. I'm Wei-Mo Liu from  
13 Greenberg Traurig.

14 CHAIRMAN KOPLAN: No, the person that you  
15 were --

16 MS. WEI-MO: And she is Liu Huijuan from  
17 China Chamber of Commerce.

18 CHAIRMAN KOPLAN: Thank you, very much. I  
19 was doing that for the reporter. I see my light is  
20 about to come on and so I'll save what -- I have one  
21 more question, but I'll save that for the next round.  
22 Commissioner Miller?

23 COMMISSIONER MILLER: Well, I guess perhaps  
24 the only thing I want to do is just clarify and make  
25 sure I understand. Ms. Jeong, you've said that the

1 case was filed over the fears regarding the lost Home  
2 Depot and Loew's sales. And I think, you know, from  
3 the testimony this morning, we clearly know these  
4 other loss sales are sort of the heart of the case; no  
5 question about that. But, I'm just trying to  
6 understand your interpretation of the record evidence,  
7 because, you know, you've said that they didn't lose  
8 it after all and the evidence doesn't support -- does  
9 it not support the fact that they were going to lose  
10 them or that they've gotten them back in the wake of  
11 the antidumping duty? I guess I just need -- want to  
12 have you restate again what your position is on those  
13 loss sales and how the Commission should consider them  
14 and consider threat of material injury.

15 MS. JEONG: We'll we're talking about two  
16 customers. And as to one --

17 COMMISSIONER MILLER: Right.

18 MS. JEONG: -- I'm not sure how much I can  
19 say without getting into confidential information.  
20 But, if you look at the purchaser questionnaire, it  
21 supports that or at least the claims are not supported  
22 with respect to that one customer.

23 COMMISSIONER MILLER: Okay.

24 MS. JEONG: And with respect to Home Depot,  
25 yes, Home Depot perhaps was going to head towards

1 Chinese imports. And, you know, at least according to  
2 Gleason, the only reason they came back was because of  
3 the Chinese -- the dumping -- the potential dumping  
4 duties on Chinese imports. But what we point out is  
5 that it looks like because of the fact that they went  
6 from being a sole supplier to Home Depot and then they  
7 suddenly -- a big chunk of their sales are split up  
8 and that went to one of their U.S. competitors, that  
9 shows, at least to us, that a phase out has already  
10 begun by Home Depot with respect to Gleason, and  
11 that's not going to stop.

12 And we mentioned that, yes, if there's no  
13 dumping duties imposed, it is likely, it's possible,  
14 it's likely that Home Depot will go back to Chinese  
15 imports. But the reason Gleason lost Home Depot or  
16 will be losing Home Depot in the first place cannot be  
17 just by reason of imports alone, if Gleason -- I'm  
18 sorry, Home Depot is already looking to other U.S.  
19 suppliers, at the same time.

20 COMMISSIONER MILLER: I'm not quite sure how  
21 to consider that point. I mean, I've heard you make  
22 it several times and others on the panel make the  
23 point. But, you know, the issue for us is not Gleason  
24 versus the Chinese; it's the U.S. industry versus the  
25 Chinese. So, it's not clear to me that that changes -

1 -

2 MS. JEONG: Well, the issue is, also,  
3 causation. Is there a causation? Is there a link  
4 between the Chinese imports and whatever injury that  
5 Gleason alleges that they will suffer in the future?  
6 Our point is that there is no causation, because  
7 Chinese imports were not the reason in the first place  
8 that could have, may have caused future injury to  
9 Gleason.

10 COMMISSIONER MILLER: Okay; all right. I  
11 just wanted you to clarify what the point was there.  
12 So, I appreciate it and I have no further questions.  
13 Thank you.

14 CHAIRMAN KOPLAN: Thank you for that,  
15 Commissioner Miller. Commissioner Hillman?

16 COMMISSIONER HILLMAN: Thank you.

17 CHAIRMAN KOPLAN: Thank you, Madam  
18 Secretary.

19 COMMISSIONER HILLMAN: I just have a couple  
20 of follow-ups. Ms. LaFontaine, you mentioned in  
21 response, I believe to Commissioner Pearson's  
22 questions, that you had been sourcing in hand trucks  
23 in Malaysia and Thailand, but moved to China. Why?

24 MS. LAFONTAINE: Actually, we began working  
25 through a company in Taiwan that has a manufacturing

1 facility in China, with some of our folding and  
2 collapsible trucks. They were -- their service and  
3 quality level was so superb, that we decided to  
4 consolidate those purchase -- like or similar  
5 purchases with that Taiwan-based company, who  
6 manufactures in China.

7 COMMISSIONER HILLMAN: And when was this  
8 taking place?

9 MS. LAFONTAINE: The last bit of it just  
10 moved about six months ago.

11 COMMISSIONER HILLMAN: Okay. So prior to  
12 that, you had still been in Malaysia and Thailand?

13 MS. LAFONTAINE: Yes, some of the products  
14 had been.

15 COMMISSIONER HILLMAN: Okay, then, maybe,  
16 when did you first start sourcing from China?

17 MS. LAFONTAINE: It gets difficult for me,  
18 because some of the items that you consider inside the  
19 scope, Gleason and Harper don't have competitive  
20 products or like or similar products. So, we started  
21 manufacturing those products about three years ago.  
22 So over the course of the last three years, we've  
23 consolidated all the hand truck purchases through that  
24 one supplier.

25 COMMISSIONER HILLMAN: Okay. So, currently,

1 all of your --

2 MS. LAFONTAINE: Yes.

3 COMMISSIONER HILLMAN: -- imports are coming  
4 from China?

5 MS. LAFONTAINE: Yes.

6 COMMISSIONER HILLMAN: Okay, all right. I  
7 appreciate that. I mean, all of your imports of hand  
8 trucks.

9 Mr. Feng, I wondered if I could ask, we  
10 heard discussion this morning of the production of  
11 steel and aluminum and nylon or plastic hand trucks.  
12 Do you make all three kinds of hand trucks?

13 MS. WEI-MO: This is from Mr. Feng. The  
14 only -- Taifa only produces aluminum and steel, not  
15 vinyl.

16 COMMISSIONER HILLMAN: Okay. And can you  
17 give me a sense of the portion of your sales in the  
18 U.S. market that are aluminum versus steel?

19 MS. WEI-MO: This is from Mr. Feng.  
20 Aluminum is about 10 percent; remaining, steel.

21 COMMISSIONER HILLMAN: Okay, thank you. Do  
22 you sell into -- as you've heard it described in our  
23 report, we are breaking down the U.S. market into the  
24 industrial or catalog as one segment, the home  
25 improvements stores is a second segment of the market,

1 the hardware stores is the third segment, and then we  
2 have an all other category. Are you selling into all  
3 four market segments in the U.S. market?

4 MS. WEI-MO: During the period of  
5 investigation, mostly they sell to the hardware and  
6 catalog.

7 COMMISSIONER HILLMAN: And catalog?

8 MS. WEI-MO: Yes.

9 COMMISSIONER HILLMAN: Okay. We had  
10 discussions this morning with the Petitioners about  
11 the fact that at least our record would indicate  
12 significant differences in the prices, in the hardware  
13 or the Home Depot -- I mean, the home improvement  
14 versus the catalog and industrial market. There was a  
15 big difference in the price between those two markets.  
16 And some of the discussion was about the fact that the  
17 hand trucks in the industrial market were of a  
18 different -- were different. They had more features,  
19 stronger features, heavier features. Do you sell the  
20 same hand trucks into each of those two markets or are  
21 the hand trucks that you sell to the catalog and  
22 industrial market stronger or heavier or bigger wheels  
23 or a different product than what is sold into the  
24 hardware market?

25 (Pause.)

1 MS. WEI-MO: He agrees with that. You know,  
2 different for the different market segment, he will  
3 sell different price and product would be a little bit  
4 different: heavier, stronger, or lighter.

5 COMMISSIONER HILLMAN: Okay. Do the prices  
6 in one market affect the prices in one of the other  
7 markets? Do the prices in the hardware market, if  
8 they're going down, does it make the prices in the  
9 industrial, catalog market also go down?

10 MS. WEI-MO: He say, no, no effect.

11 COMMISSIONER HILLMAN: No effect between the  
12 two markets?

13 MS. WEI-MO: No.

14 COMMISSIONER HILLMAN: Okay. I appreciate  
15 that. I wonder if for counsel, if you could comment  
16 on whether you think -- you know, again, based on Ms.  
17 LaFontaine's testimony, I'm, to some degree, hearing  
18 that you think there is either yet a different or  
19 perhaps somehow something else that we should have  
20 done, in terms of the channels of distribution, as we  
21 report them in our staff report. So, I wanted to give  
22 you an opportunity -- I would ask the same, actually,  
23 of Petitioner's counsel, in their post-hearing briefs,  
24 to just comment on whether the channels of  
25 distribution for hand trucks that's listed in our

1 Table 1.1, this distinction of catalog, industrial,  
2 versus home improvement, versus hardware, versus all  
3 other. Is that the appropriate way to describe the  
4 market or should we have -- should we modify that, in  
5 some way, in the final report? I guess -- I mean, if  
6 you want to comment now, that's fine; if you want to  
7 do it in the post-hearing briefs, that's fine, as  
8 well.

9 MR. ZOLNO: We've already commented on that  
10 to a certain extent and felt that the Commission, in  
11 characterizing one market as the catalog market, that  
12 was erroneous, in that in every segment of the market,  
13 there could be catalog sales. Our particular market,  
14 that is LDI's particular market is in the office  
15 market and that was not a category. And even though  
16 some of the respondents to the questionnaires were  
17 LDI's customers, for some reason, it wasn't recognized  
18 as a separate segment of the market. And we'd like to  
19 elaborate on that in our post-hearing brief.

20 COMMISSIONER HILLMAN: Okay. And I would --

21 MS. JEONG: We'll include it in our post-  
22 hearing brief.

23 COMMISSIONER HILLMAN: Okay. I appreciate  
24 that. I think with that, I have no further questions,  
25 Mr. Chairman. Thank you.

1                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
2 Commissioner Lane?

3                   COMMISSIONER LANE: Ms. LaFontaine, I would  
4 like to ask you a couple of clarifying questions. In  
5 your direct testimony, you indicated that your company  
6 employs 1,700 people. And is that all at one  
7 location?

8                   MS. LAFONTAINE: That's LDI, as a whole.  
9 Part of our family of companies is in the paper and  
10 packaging side of things, corrugated boxes and so on.  
11 So, that's across the United States.

12                   COMMISSIONER LANE: Okay. My specific  
13 question is, of those 1,700 people, how many would you  
14 attribute to the hand truck segment?

15                   MS. LAFONTAINE: About 150.

16                   COMMISSIONER LANE: One-hundred-fifty. And  
17 would all of those 150 people be located in Minnesota?

18                   MS. LAFONTAINE: We have primarily -- we've  
19 got about 50 in Atlanta, Georgia and the balance in  
20 Minnesota.

21                   COMMISSIONER LANE: Okay. And in looking at  
22 your testimony, you talked about LDI has redesigned  
23 its hand trucks to include new features and one of  
24 them is a new wheel design. What kind of a wheel  
25 design have you come up with?

1 MS. LAFONTAINE: Well, what we have found  
2 with some of our consumer and end-user research is  
3 that we got a lot of pressure from our customers to  
4 come up with a beefy, excuse me, manly type pneumatic  
5 wheel; but the fact is that they would go flat. And  
6 in an office environment, there are very few  
7 compressors sitting around. So, we have worked with  
8 the factories to come up with a tire that has the  
9 pneumatic features and the treads and the durability,  
10 but it's actually foam filled, so it can't go flat.

11 COMMISSIONER LANE: Okay. The next question  
12 I have is the color choices that enhance safety  
13 standards.

14 MS. LAFONTAINE: Yes.

15 COMMISSIONER LANE: Does that mean that we  
16 can have hand trucks in all sorts of different colors?

17 MS. LAFONTAINE: Not quite, but pretty  
18 close. We actually hired an ergonomist to come in and  
19 do some research regarding hand trucks, to look at  
20 whether or not we could design in some new features to  
21 make it safer. A lot of our clients use this as their  
22 workstation all day long. And so, one of the items  
23 that we got as feedback were to have like bright  
24 yellow accents, so that it's easier to see it in an  
25 aisle, in a warehouse, where it may be dark or dimly

1 lit. And so, some of our hand trucks have reflective  
2 material in the handles, so you can see them, and/or  
3 have bright yellow OSHA colors on them.

4 COMMISSIONER LANE: And to take that one  
5 step further, then, are you the only one that have  
6 these features with the color coded or the reflectors,  
7 et cetera --

8 MS. LAFONTAINE: That I'm aware of, yes.

9 COMMISSIONER LANE: -- does Gleason and the  
10 domestic industry, do they have any of those features?

11 MS. LAFONTAINE: Not that I'm aware of, no.

12 COMMISSIONER LANE: Okay. And I'm not sure  
13 who to address this question to, but in the staff  
14 report, and as far as I can see, this is not BPI  
15 information, but on the C-1 Table, the Chinese imports  
16 for 2004 have a significantly higher unit value than  
17 the three years previous. And I just wondered if  
18 somebody could explain to me why that unit value was  
19 so much higher in 2004. And since it's not BPI, I can  
20 tell you that in 2003, the unit value was \$15.87 and  
21 2004, it's \$19.99.

22 MS. WEI-MO: They said the raw material  
23 price increased, so the unit price increased, also.

24 COMMISSIONER LANE: Okay, thank you. The  
25 data in this investigation, also, shows that the

1 Chinese hand truck producers maintained large  
2 inventories of finished units between 2001 and 2003.  
3 However, these inventories were reported to be zero in  
4 June of 2004, with projected inventory levels being  
5 only a few thousand units for year end 2004 and 2005.  
6 Do you believe these projects are accurate and, if so,  
7 why did this drastic change take place?

8 MS. JEONG: If I could interject here. This  
9 is Rosa Jeong. Based on my experience as counsel to  
10 Taifa Huatian and, also, another exporter, and having  
11 gone through the entire time in a Commerce  
12 verification, I've been pretty fairly close to how  
13 they do their business and inventory practices. And  
14 it's generally, at least in our experience, it's not  
15 the practice of these companies to keep a large  
16 inventory. And I believe, for the most part, the  
17 staff report reflects that. A lot of these producers  
18 produce to order and, you know, this capacity figures,  
19 also, show that the companies are producing pretty  
20 close to their maximum capacity. They're selling  
21 stuff as much as they can. They have sold stuff as  
22 much as they can. They don't keep a lot of inventory.  
23 It's not -- they don't do that as a business practice.  
24 And there's no reason to keep any inventory, when  
25 they're selling and their sales have been increasing

1 and large in the past years.

2 COMMISSIONER LANE: Okay, thank you. Now,  
3 the data, also, show that Chinese hand truck producers  
4 export a significant amount of hand trucks to third-  
5 country markets. Are these Chinese hand trucks being  
6 sold in other countries identical to the hand trucks  
7 that are being sold in the United States? And if so,  
8 how difficult would it be for the Chinese industry to  
9 divert these shipments to the United States?

10 MS. WEI-MO: Sales to the third countries  
11 and sales to the United States model sometimes the  
12 same, sometimes different. Does that answer your  
13 question?

14 COMMISSIONER LANE: I'm sorry, did you say  
15 they were the same?

16 MS. WEI-MO: Some are same, some are  
17 different models.

18 COMMISSIONER LANE: Okay, thank you. That's  
19 all the questions I have, Mr. Chairman.

20 CHAIRMAN KOPLAN: Thank you, Commissioner.  
21 Commissioner Pearson?

22 COMMISSIONER PEARSON: Thank you, Mr.  
23 Chairman. We've talked some about this before, but  
24 let me go back just briefly on the question of price.  
25 The Petitioner's have argued that the price data in

1 this case are somewhat misleading, because the period  
2 examined fails to fully capture the degree to which  
3 prices fell when Chinese imports began to come into  
4 the U.S. market. The Petitioners maintain that the  
5 steepest price decline occurred in 1997, which was  
6 when China started to get into the home improvement  
7 distribution -- part of the distribution chain. So,  
8 the question is, do you agree with that assessment by  
9 Petitioners of when the price impact started? Did you  
10 see that in your business?

11 MS. LAFONTAINE: We have not experienced  
12 that. There has been a development of another price  
13 point within the market, but there still are -- there  
14 still is demand for two very separate price points,  
15 features, and benefits, at least as we experience it  
16 in our market.

17 COMMISSIONER PEARSON: So, the new price  
18 point, was it more of an opening price point?

19 MS. LAFONTAINE: Yes, more of an entry  
20 level.

21 COMMISSIONER PEARSON: Okay. And that's  
22 somewhat related to the appearance of the Chinese  
23 product in the U.S. market? Were they coming in and -  
24 -

25 MS. LAFONTAINE: Well, it was not for us.

1 We went to Malaysia, actually, to supply that demand.  
2 So, for us, it was not the Chinese.

3 COMMISSIONER PEARSON: Okay. But to some  
4 degree, the availability of imported hand trucks  
5 helped to create a market that wasn't there before.  
6 Is that --

7 MS. LAFONTAINE: Yes; yes, along with the  
8 market shift of home -- the need for home and small  
9 office, and they tend to be much more price sensitive  
10 than some of the other markets that we serve.

11 COMMISSIONER PEARSON: Okay. Petitioners  
12 state that publicly available information demonstrates  
13 that there's a high amount of hand truck production  
14 capacity in China, and they detail this on pages 35  
15 and 36 of their pre-hearing brief. Either now or in  
16 the post-hearing, could you, please, comment on that?  
17 I mean, this gets to the issue of threat and we've  
18 heard more than one opinion on that issue today. I'd  
19 be pleased, either now or in the post-hearing, if you  
20 could comment on that, in more detail.

21 MS. LAFONTAINE: We'll comment in our post-  
22 hearing brief.

23 COMMISSIONER PEARSON: Okay, thank you.  
24 Another threat consideration, Petitioners have argued  
25 that the assertion by Chinese producers, that their

1 production capacity will decrease in 2005 to below the  
2 2001 level, is implausible and should be disregarded.  
3 The Petitioners argue that Chinese producers  
4 forecasted a decline in production, capacity is  
5 inconsistent with the expanding market and with  
6 economic trends. Could you, please, address that  
7 argument?

8 MS. JEONG: Because answering that question  
9 will probably involve getting into confidential data  
10 of individual countries, it's probably best to answer  
11 that in our post-hearing brief.

12 COMMISSIONER PEARSON: Okay. That would be  
13 fine. I just -- if there's anyway to clarify what  
14 seems to a difference of views, that would be helpful.

15 My last question. Petitioners argue that  
16 return on net sales, which is basically an income  
17 divided by revenue figure, that that's a better  
18 measure of the domestic industry's financial condition  
19 than return on investment. Do you agree with that?

20 MS. JEONG: I think any way you look at it,  
21 whether you look at it as return on investment, just  
22 pure profits, or return on sales, the important fact  
23 is that the industry is profitable. There are, of  
24 course, many different ways of how you look at a  
25 company and how you determine how much money the

1 company is making. I'm sure accountants come up with  
2 10 different ways that I don't know about. But, it  
3 remains that on the bottom line, all of these  
4 companies -- or the industry is making money. I'm not  
5 sure how important it is to look at -- try to  
6 determine what would be the best ratio percentages to  
7 determine whether these companies are profitable,  
8 because it remains that companies are profitable.

9 COMMISSIONER PEARSON: Okay. Any other  
10 comments?

11 (No comments.)

12 COMMISSIONER PEARSON: Thank you, very much,  
13 Mr. Chairman. I have no further questions.

14 CHAIRMAN KOPLAN: Thank you, Commissioner.  
15 I have one last question and it's for you, Ms. Jeong.  
16 You stated, I believe, earlier that Gleason lost sales  
17 to Home Depot, to another domestic competitive, not to  
18 Chinese imports. But the staff report shows an  
19 overall loss of market share by the U.S. industry and  
20 the corresponding gain in market share by the Chinese  
21 subject imports. I'm referring to Table C-3 of the  
22 staff report. I can't get into the numbers, because  
23 that particular table is BPI. Now, this occurred at  
24 the same time that the subject imports consistently  
25 undersold the U.S. product. Why does this not

1 constitute some degree of injury to the U.S. industry,  
2 as I look at the numbers?

3 MS. JEONG: I think looking at market share  
4 alone in this case is not the correct -- or perhaps  
5 the most appropriate way to look at the industry.  
6 When you look at --

7 CHAIRMAN KOPLAN: If I could just clarify.  
8 I'm not looking at market share alone. I look at a  
9 whole bevy of factors. But, this is one factor that I  
10 do look at. And so, that's why I'm framing the  
11 question.

12 MS. JEONG: I understand. As an absolute  
13 number, absolute volume of U.S. shipments did not  
14 change, I think we're all in agreement, or have been  
15 pretty much stable throughout the POI. And I think we  
16 all agree that what Chinese imports were able to  
17 capture was the additional growth in the market. The  
18 U.S. industry cannot have captured that market. The  
19 capacity number show that even if they were producing  
20 at maximum capacity, maximum practical capacity, they  
21 cannot have begun to capture a significant portion of  
22 that market.

23 CHAIRMAN KOPLAN: Mr. Bruno, did you want to  
24 add something or would you rather do it post-hearing?

25 MR. BRUNO: Mr. Chairman, yes, I think we

1 would like to do it in a post-hearing brief.

2 CHAIRMAN KOPLAN: Thank you; sure. Thank  
3 you and I thank you all for your responses to our  
4 questions. Let me see if we have another round of  
5 questions?

6 (No response.)

7 CHAIRMAN KOPLAN: Seeing that there are no  
8 additional questions from the dais, Mr. Corkran, does  
9 the staff have some additional questions for this  
10 panel?

11 MR. CORKRAN: Douglas Corkran, Office of  
12 Investigations. Thank you, Mr. Chairman. Staff has  
13 no further questions.

14 CHAIRMAN KOPLAN: Okay, thank you. My  
15 colleagues are helping me out up here. The  
16 Petitioners have six minutes remaining from their  
17 direct presentation. Do you have any questions of  
18 this panel before I release the panel?

19 MR. JAFFE: Thank you, Mr. Chairman. On  
20 behalf of the Petitioners, this is Matthew Jaffe, we  
21 have no questions.

22 CHAIRMAN KOPLAN: Thank you, Mr. Jaffe.  
23 With that, again, I want to thank you all for your  
24 testimony. And before we go to rebuttal and closing,  
25 I would release the witnesses from the panel. Thank

1 you, again, so much for coming, those of you who came  
2 particularly from China. Thank you.

3 While that's happening, let me move along by  
4 reviewing what both sides have remaining. Petitioners  
5 have a total of 11 minutes, six minutes for their  
6 direct presentation and five minutes for their  
7 closing. So, you've got six minutes for rebuttal and  
8 five for closing. Respondents, on the other hand,  
9 have a total of 26 minutes remaining from their  
10 direction presentation and five minutes for closing.  
11 Let me start by asking -- and we will time both  
12 segments of that. So, let me ask Petitioners how you  
13 want to proceed. Do you have any rebuttal or do you  
14 want to go directly to closing?

15 MR. JAFFE: Matthew Jaffe. We'll go  
16 directly to closing.

17 CHAIRMAN KOPLAN: Okay. Whenever you're  
18 ready to proceed. So, you get, as I say, five minutes  
19 to close.

20 MR. JAFFE: Matthew Jaffe with the law firm  
21 of Crowell & Moring. I believe Respondent's counsel  
22 framed this case as, they're not crying uncle; they're  
23 crying wolf. Well, that reminds me of a story. There  
24 is a mystical town somewhere in Eastern Europe called  
25 Helm, and I understand that the Polish 'Helm' means

1 mountain. And the story goes that the angels were  
2 distributing souls around the world and the angel, who  
3 had been distributing the souls of the fools actually  
4 tripped on this particular mountain and dropped more  
5 fools into this particular village, this village of  
6 Helm. And it only had fools. But, of course, since  
7 they were fools, they actually didn't think of  
8 themselves as foolish. They thought of themselves as  
9 wise. So, these people were actually called the wise  
10 people or the wise men of Helm. Well, they were very  
11 wise. They did a lot of different things; like, for  
12 example, in order to avoid their shoes from getting  
13 wet during the winter, they took them off and left  
14 them at home and went around barefoot.

15 Well, there's another story about the wise  
16 men of Helm. One of the wise men of Helm was walking  
17 in the woods one day and he came upon an enormous  
18 wolf. Well, he had to think of a way to get rid of  
19 this wolf, to escape, so he did what he thought the  
20 wisest thing possible. He closed his eyes. And guess  
21 what? The wolf disappeared. Well, he had just about  
22 enough time to congratulate himself about how clever  
23 he was before the wolf swallowed him whole.

24 I believe that really summarizes the  
25 opposition's brief. They said, just close your eyes

1 and we will disappear. Well, the domestic industry is  
2 smarter than that. We've watched during the period of  
3 investigation as they swallowed our market share: 67  
4 percent in 2001; 57 percent, 10 points down in 2002;  
5 down to 51 percent in 2003; down to 48 percent in 2004  
6 -- a 20 percent drop in a little over three years.

7 We watched as they have captured 100 percent  
8 growth in that market. We've watched as they chewed  
9 away at our operating profit -- excuse me, operating  
10 income. If you look at Table VI-1 of the public  
11 version, you'll see that the operating income was six  
12 million; 2002, five million; down to 3.5 million in  
13 2003.

14 And this wolf is big and it's getting  
15 bigger. In 2001, it was 1.7 million units. By 2003,  
16 it was 2.13 million units. And if you look at the  
17 information that we placed on page 36 of our brief and  
18 you just look at two of the companies that talk about  
19 their capacity for hand trucks, that's Future Tools,  
20 it says two million; Huatian, three to five million.  
21 Now, that's five to seven million just among two of  
22 the producers of hand trucks in China. And Taifa says  
23 it's the biggest. Who knows how much more capacity  
24 there is.

25 And the fact of the matter is they've been

1 nibbling at our customers for years. And in 2003,  
2 they were posed -- this wolf was posed right above our  
3 largest customers, the home improvement sector. They  
4 were licking their chops over Home Depot and Lowe's,  
5 just ready to swallow them whole.

6 I must disagree. I think there's evidence,  
7 clear evidence on the record here of material injury.  
8 I think there's clear evidence here of threat of  
9 material injury. I don't think that it's necessary  
10 for a petitioner to wait, as they have suggested,  
11 until they are basically munching on our bones before  
12 we file an antidumping petition. I think there is  
13 evidence here clearly of injury and I request that you  
14 vote affirmative in the final for material injury and  
15 for threat of material injury. Thank you.

16 CHAIRMAN KOPLAN: Thank you, Mr. Jaffe. Ms.  
17 Jeong, I understand you're doing the closing. You,  
18 also, have 26 minutes left from your direct  
19 presentation for rebuttal. How do you wish to  
20 proceed?

21 MS. JEONG: We'll proceed directly to  
22 closing.

23 CHAIRMAN KOPLAN: All right. No objection  
24 to that. Thank you.

25 MS. JEONG: Petitioner's counsel mentioned a

1 nice little story about a wolf and they're calling the  
2 Chinese wolf and other kinds of -- implying them to be  
3 nibbling at their bones and so forth. It really seems  
4 to us that the wolf, who is doing the nibbling, is  
5 really the Petitioners. What they're saying coming  
6 before you today is, yes, we made millions and  
7 millions of dollars in profits over the years; but, I  
8 think the Commission should help us to make millions  
9 more, because we want to make more and those customers  
10 may not help us make more money.

11 We don't believe that it's the role of the  
12 Commission to dictate -- to quantify what level of  
13 profit is enough for an industry, especially in this  
14 case, where the industry has remained profitable, more  
15 profitable than other industries in comparison, during  
16 the period of investigation.

17 The Commissioners spent all morning  
18 listening to testimony and arguments from both sides.  
19 But when it really comes down to it, this is a fairly  
20 simple case. There are no difficult legal issues to  
21 wrestle over for the most part and the most important  
22 facts in this case are not in dispute.

23 First, let me summarize those facts. First,  
24 the Chinese imports have increased throughout the  
25 period of investigation. We do not dispute that. No

1 one disputes that.

2 Second, the U.S. demand for hand trucks grew  
3 at almost the same rate during the period of  
4 investigation, leaving the volume of U.S. shipments  
5 virtually unaffected. The Chinese imports, basically,  
6 were able to capture the growing demand.

7 Third, the U.S. industry remained profitable  
8 even in the face of a growing Chinese imports. No  
9 jobs were lost; no production was curtailed.

10 Fourth, U.S. prices were stable, even when  
11 they were apparently being undersold by Chinese  
12 imports.

13 Fifth, the U.S. industry did not lose any  
14 major customers to Chinese imports.

15 What probably remains in dispute boils down  
16 to a couple of points. The first is whether the U.S.  
17 producer really have the excess capacity to take  
18 advantage of this growing demand. We have explained  
19 that a close analysis of the data shows that they did  
20 not have the capacity and do not have that today.

21 Second, Petitioners claim that if a dumping  
22 order is not issued, the major customers will  
23 immediately turn to Chinese imports. To the extent  
24 that may happen, the evidence indicates that there are  
25 reasons other than price competition by the Chinese

1 imports.

2           Where does that leave us? That leaves us a  
3 U.S. market that needs imports to meet its growing  
4 demand, a U.S. market that must -- is forced to turn  
5 to third country sources, if Chinese imports are shut  
6 out of the market. And that leaves us a U.S.  
7 industry, whose entire case is based on what could  
8 have been, what could have been injury, if certain  
9 events had transpired, and, namely, the loss of its  
10 two largest customers.

11           The per forma financial results presented by  
12 the Petitioners are entirely based on those what could  
13 have been events. Those events did not happen and  
14 we're not sure whether they're going to happen. And  
15 if they do happen, we don't think that it's due to the  
16 Chinese imports.

17           I read the statute, but didn't see where it  
18 says the Commission has to look at what could have  
19 been injury. The trade law requires the Commission to  
20 analyze a condition of a U.S. industry and determine  
21 whether it is materially injured or is threatened with  
22 material injury. The trade laws are not meant to be  
23 used as a course of measure to prevent a customer from  
24 shifting to other suppliers where there are no threat  
25 of material injury. Furthermore, if such customers

1 did not switch to subject imports by the time of this  
2 final investigation, on what basis can the Commission  
3 make its determination? On the data before it today,  
4 during the final determination, or on the possible  
5 intentions of a customer at some remote time after the  
6 Commission's determination?

7 Obviously, the answer is on the basis of the  
8 data before the Commission corrected during the final  
9 determination. We believe that data shows that the  
10 U.S. industry is not materially injured and is not  
11 threatened with material injury by reason of Chinese  
12 imports. We ask the Commission to consider these  
13 facts carefully and reach a negative decision in this  
14 case. Thank you.

15 CHAIRMAN KOPLAN: Thank you. Post-hearing  
16 briefs, statements responsive to questions, and  
17 requests of the Commission and correction to the  
18 transcript must be filed by October 15, 2004. Closing  
19 of the record and final release of data to parties by  
20 November 3, 2004. And final comments are due November  
21 5, 2004. Thank you, again, to everyone who  
22 participated in this investigation. Thank you to  
23 staff. With that, this hearing is concluded.

24 (Whereupon, at 3:57 p.m, the hearing was  
25 concluded.)

**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Hand Trucks from China  
**INVESTIGATION NO.:** 731-TA-1059  
**HEARING DATE:** October 7, 2004  
**LOCATION:** Washington, D.C  
**NATURE OF HEARING:** Hearing

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

**DATE:** 10/7/04

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

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

**SIGNED:** Carlos Gamez  
Signature of Proofreader

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

**SIGNED:** Renee Miskell  
Signature of Court Reporter